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FINANCIAL CONDITION AND
OPERATIONS OF THE
NATIONAL GOVERNMENT
1921-1930

BY
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Government Research



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PREFACE

In the volume "The National Budget System: With Suggestions for Its Improvement," published by the Institute for Government Research in 1927, the present writer attempted to describe the more important features of the system of financial administration employed by the national government since the adoption of the budget system in 1921. In that volume no attempt was made to set forth the actual financial operations under that system. The present work seeks to do this, and may, therefore, be deemed to be, in a way, a companion volume to that study.

The motive leading to the preparation of this study goes, however, beyond such purpose. An accurate knowledge of the financial condition of the national government, of the income received by it and the sources from which such income is derived, and of its expenditures so classified as to bring out their significance, is not only a matter of public interest but also a condition precedent to the intelligent planning of future governmental policies. Though a great improvement in the methods of stating the public accounts has followed the adoption of the budget system, it is still difficult not only for the general public but also for those directly concerned with the conduct of governmental affairs, readily to determine the facts regarding treasury resources and obligations and treasury receipts and expenditures. This arises only in part from inadequacy in the system of recording and reporting financial condition and operations. The best financial statements require interpretation and analysis through derivative statements if the significance of their showings is to be made evident. Such an interpretation and analysis, moreover, can only be made on the basis of a knowledge of the accounting system by which the data contained in the published statements are accumulated, and a familiarity with the more important changes that have taken place during the period covered in the revenue system of the government and the activities engaged in by it.

The selection of the period to be covered, that elapsing since 1921, has been dictated by two considerations. In the first place, it corresponds with the period during which the new system of financial administration resulting from the adoption of the budget system has been in operation and permits of a certain evaluation of the benefits of that system as evidenced by the actual course of events. Through the figures presented, one can obtain light upon the question as to whether the new system has tended to keep down expenditures and to assure a more intelligent application of such funds as are appropriated, or the reverse. Secondly, the period corresponds fairly closely with the return to normal conditions as regards financial requirements following the disturbed and abnormal conditions resulting from the late war. An attempt to compare the details of governmental receipts and payments during this period with those of the war period, including in such period the years during which the government was liquidating its war obligations, would tend to confuse rather than to clarify.

Incidentally, it is hoped that this study, and the form in which the facts regarding the financial condition and operations of the government are here presented, will lead to an improvement in the manner in which financial data are now given in the official reports.

In conclusion, the author desires to give recognition to the great assistance that he has had in the preparation of this volume on the part of the accountants of the staff of the Institute, and particularly Mr. T. G. Addison, and his appreciation of the kindness of the accounting officers of the government in furnishing explanations and data not contained in the official reports.

The committee which coöperated with the author in the preparation of this volume was: Harold G. Moulton, Henry P. Seidemann, and Cleona Lewis.

W. F. WILLOUGHBY.

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**FINANCIAL CONDITION AND OPERATIONS
OF THE NATIONAL GOVERNMENT**

INTRODUCTION

THE PROBLEM OF DETERMINING AND STATING THE FINANCIAL CONDITION AND OPERATIONS OF THE NATIONAL GOVERNMENT

There are few classes of economic data more desirable than that having for its purpose to reveal the financial condition and operations of governments. Such information is needed, not only as throwing light upon the extent to which governments are making increased demands upon the taxpayer but also as furnishing much the best means of stating and measuring the relative importance of the various activities engaged in by governments. There has been an unfortunate tendency for public attention to be concentrated too largely upon such single items as the total payments to governments in the form of taxes, total expenditures by governments, and the like. An increase in taxes has been viewed as, *per se*, an evil. Such a position is wholly an illogical one. Though governments may spend more, they do more; and it may well be that the increased demand made upon the taxpayer is more than offset by the additional service rendered to him. The really important things are not so much the grand totals of governmental revenues and expenditures as the sources from which such revenues are derived and the purposes to which the expenditures are devoted, the extent to which governments are improving their financial condition through the payment of their debts or the reverse, and the like. This information the present work seeks to present for the national government for the period elapsing since July 1, 1920, that period corresponding to the one during which the new system of financial administration resulting from the adoption of the budget system has been in operation and beginning with the year in which the financial operations of the government had returned to a fairly

normal condition following the abnormal conditions resulting from the war and the liquidation of the obligations to which that conflict had given rise.

The question may be asked why a special study is required to present this information. The answer is to be found in two facts: first, that the official reports, which purport to set forth the financial condition and operations of the government, are not prepared in a way to reveal the information that it is desirable to have; and, second, that even if they did so, there still remains the need of subjecting this information to analysis with a view to bringing out the significance of the data presented and setting forth the reasons which have brought about the changes that are shown.

Accounting systems should have two major purposes: (1) The establishment of the fidelity with which the financial operations of the enterprise with which they are being concerned are being conducted; and (2) the furnishing of the information regarding such operations that is needed by the legislator and administrator in determining financial policies and controlling the conduct of officers, and by the public in determining the manner in which its representatives are discharging the duties entrusted to them. To accomplish these two purposes, two sets of financial statements are required. The first, to which the name fidelity statements may be given, has for its purpose to insure that a proper record has been kept of all financial transactions and that all officers having the receipt, custody, or disbursement of public funds can account for all moneys coming into their possession. These statements thus constitute the official records and reports, strictly speaking. They are necessarily on the gross basis in that they must present a complete record of all moneys received and paid out. If, for example, the government issues, as the national government has done in recent years, millions of loans for the purpose of meeting other loans that are maturing, the receipt side of the treasurer's account must show the receipt of the money realized from such loans and the expenditure side the payment of this money in retiring the matured loans, regardless of the

fact that this transaction may not have affected in any way the net condition of the treasury or the real cost of government. Again, if, as is also the case in the national government, the government in administering its revenue system, collects, in the first instance, sums in excess of the amounts ultimately found to be due and subsequently refunds such excess, the fidelity accounts and statements must include such excess payments on the receipt side and the moneys refunded on the expenditure side, regardless of the fact that, by so doing, the accounts are made to show apparent receipts and expenditures too large by the amounts so collected in excess and refunded. In the same way the fidelity accounts and statements must record and show all receipts and disbursements, even though many of them may represent mere transfers from one account to another or the handling of funds of a trust character which do not have any real bearing upon the government's financial condition or its income and expenditure proper.

It results from the foregoing that these fidelity statements, essential as they are in any proper system of accounting and reporting, are inherently unfitted to supply the information that it is desirable to have regarding the real condition, income, and cost of government. For such information, resort must be had to other statements specially designed for that purpose. Unfortunately few governments have realized this twofold function of accounts. For the most part they have contented themselves with the production of data and the presentation of statements having to do merely with the fidelity factor. Though the national government, following the adoption of its budget system, has done much more than most other governments in the way of preparing special analytical and informative statements, it still remains true that it has by no means prepared the statements that are necessary in order to make known its real financial condition and its real income and expenditures, and that many of the statements that it has prepared with this end in view are defective and at times absolutely misleading. The government, moreover, in issuing these statements, has not deemed it a part of its duties to subject them

to analysis with a view to pointing out the causes or political events that have been responsible for the changes shown.

It is for these two reasons, therefore—the inadequacy of the existing statements contained in the official financial reports and the need for an explanation of the facts that are shown—that the present work has been undertaken. It is hardly necessary to state that the work of preparing these statements has been one of great magnitude and has involved the reaching of important decisions in respect to how particular transactions shall be handled. In order that the full purport of the data presented may be made known, and the reason seen why the figures thus given apparently vary widely from those contained in the official reports, there is first given a statement of the procedure followed in the reclassification and restatement of the data contained in the official reports.

Trust Fund Operations. The national government, in common with most governments, has the handling of important sums of money which do not constitute a part of its legal possessions, and transactions in respect to which have no bearing upon its financial condition and income and expenditures, properly speaking. In respect to these the government acts merely as a trustee, and the funds so handled are known as trust funds. Examples of such funds are the moneys held in trust and administered by the government for the benefit of the Indians, the funds held by the Alien Property Custodian for ultimate distribution to their owners, the so-called General Railroad Contingent Fund, consisting of moneys paid by the railroads under what is known as the recapture clause of the Transportation Act for ultimate use in aid of the weaker railroads, and the moneys held as savings funds for the benefit of institutions, or depositors of various kinds. One of the first things to be done in seeking to determine the real financial condition of the government, its real income and expenditures, is, therefore, the exclusion from the statements of all operations having to do with these funds. This has accordingly been done in the statements presented in this study.

Insurance Fund Operations. Within recent years the national government made comprehensive provisions for the compensation of its employees injured while in the performance of their duties and the payment to them of pensions upon their retirement from the government service as the result of incapacity or old age. It has also made provision for life insurance of the veterans of the late war and payment to them over a period of years of what is known as "adjusted service compensation." Following correct actuarial practice, the government has provided for the accumulation in special funds of large reserves for the meeting of these payments as they become increasingly large with the progress of years. The more important of these funds are the U. S. Employees' Compensation Fund, the Civil Service Retirement Fund, the Foreign Service Retirement and Disability Fund, the Government Life Insurance Fund, and the Adjusted Certificate Fund. The assets of these funds, as accumulated, are invested in securities of the national government. The funds thus receive an income in the form of appropriations and interest on their investments, and the retirement funds a further income through the payment to them of certain deductions made from the salaries of the benefitting employees, and are charged with all benefits to which the insured acquire a right, including the refund to employees leaving the service before reaching the retirement age of contributions made by them in the form of deductions from their salaries plus interest on the same at the rate of four per cent.

It must be evident that the current cost to the government of operating these systems is represented by the appropriations paid to these several funds rather than the payments made from the funds to beneficiaries; that the receipts of the funds in the form of interest on investments and payments representing deductions from the salaries of employees covered by the funds are receipts of such funds rather than receipts of the government proper; and that the assets of these funds are in the nature of trust funds for

the benefit of the insured rather than government assets. Transactions in reference to these funds have, therefore, been handled in this way. Statements of assets and liabilities of the government do not include the assets and liabilities of these funds; statements of the government's income do not include the receipts of these funds in the form of interest on investments and salary deductions; and statements of expenditures do not include payments made from these funds, but are restricted to payments made from the General Fund of the treasury to these funds in pursuance of appropriations, and the cost of operating the several compensation, retirement, and insurance systems which are met by special appropriations and constitute a part of the cost proper of operating the government.

District of Columbia Operations. In the administration of its financial affairs, the national government treats the District of Columbia practically as though it were one of its administrative departments. Its gross receipts are covered into the general treasury in the same way as other items of income, its expenditures are met by drafts upon such treasury, and its estimates for appropriations are included in the national budget along with those of the other branches of the national government. From more standpoints than one this system of administering the finances of the District of Columbia is unfortunate. One of its unfortunate effects is that the inclusion of the operations of the District of Columbia in those of the national government improperly swells both sides of the accounts. The national government is credited with the receipt of some thirty millions of dollars of income which in fact does not constitute a part of its income, and is charged with a corresponding expenditure that does not represent in any way a part of the cost proper of its operations. In point of fact, the only real charge upon the treasury of the national government for the support of the government of the District of Columbia is the annual appropriation of \$9,000,000, for the years 1925 to 1930, inclusive, which represents the contribution on the part of the national government. All operations of the District of

Columbia, with the exception of this item, have accordingly been eliminated from the statements here presented.

Revenue and Expense Funds. In a considerable number of instances, Congress has provided by law that certain items of income, instead of being covered into the General Fund of the treasury, and thus made freely available for appropriation, shall be set aside as special funds from which to meet certain specified expenditures. Examples of such funds are the Reclamation Fund and the Forestry Fund: provision is made that certain of the receipts of the Bureau of Reclamation and the Forest Service shall be available only for meeting the expenditures of those services. While it is important from the budgetary and appropriation standpoint to have all such receipts and expenditures segregated and separately shown and accounted for, there is no need for making such a segregation in statements which are designed to show government receipts and expenditures, since these receipts and payments represent government income and expenditures as much as do other income and expenditures not so earmarked. In the statements given in this work no attempt is, therefore, made to eliminate them from the showing.

Tax Refunds. In administering the customs and internal revenue laws, refunds amounting in the aggregate to over one hundred, and, in some years, to over two hundred millions of dollars, are made to taxpayers as the result of the final adjustment of their payment obligations. In the financial reports of the government as now published, receipts from customs and internal revenues are shown on the gross basis and the refunds to taxpayers are included among the expenditures. It is evident that this method of treatment distorts both sides of the accounts, both being made to appear many millions of dollars greater than they really are. In the statements given in this study, this practice has been corrected. Refunds are deducted from gross income and the latter shown on a net basis, and all payments in the form of refunds to taxpayers are eliminated from the expenditure statements.

10 NATIONAL FINANCE

Surrender of Income to States and Dependencies. In a considerable number of cases, the national government has provided that certain items of its income, or a certain proportion of its income derived from certain sources, shall be surrendered or paid over to the states or dependencies. Thus provision is made that all excise taxes, such as those on tobacco, cigars, and the like, collected on products of Porto Rico and the Philippines will be turned over to those dependencies. In like manner all customs dues collected on products entering Porto Rico, less the cost of collection, are paid over to Porto Rico. The same provision does not exist in the case of the Philippines, as that dependency has its own customs system. A certain proportion of the receipts of the Forest Service from the operation or exploitation of the national forests are surrendered to the states in which such forests are located. The same policy is pursued in respect to receipts of the Federal Power Commission from licenses issued by it for the occupancy and use of national parks, national forests, public lands, and national monuments for power development purposes, and in respect to certain other receipts such as those from the sale of public lands.

Two methods of handling transactions such as these are open: (1) To include in the income statements of the national government the gross receipts from these sources and in the statements of expenditures the payments to the states and dependencies; and (2) to include in the income statements only the net receipts after the payments to the states and dependencies have been deducted and to eliminate from the expenditure statements all such payments to the states and dependencies. The first of these two methods is, it is believed, the preferable one and has consequently been here followed. The reasons for this choice are: that the items of income involved constitute national income and that it is desirable that the facts should be shown regarding the extent to which the national government has adopted the policy of surrendering to other political subdivisions a part of its income.

Grants-in-Aid to States and Dependencies. As is well known the national government has in recent years adopted the

policy of voting money from the general treasury to be paid to the states and dependencies as an aid to them in performing certain services. The more important cases where this is done are the grants for the construction of roads, the maintenance of schools of a specified character, the rehabilitation of the disabled, and the grant of maternal aid. The total of these payments amounts to many millions of dollars. As will be pointed out, it is important to distinguish between the cost proper of operating the government and total governmental costs. It is evident that payments of this kind, while a part of governmental costs, do not constitute a part of the cost proper of operating the government. Both because it is desirable to know the extent and character of these payments, and because it is desirable to know the cost proper of operating the government, payments of this kind have been carefully segregated in the expenditure statements given in this volume.

Operations of Special Business Enterprises. To an extent that is hardly appreciated, the national government has entered the field of the ownership and operation of undertakings similar in all essential respects to those carried on under private auspices. From its first organization, it has operated a system of postal communications upon which have been grafted supplemental services for the transfer of money, and the transportation, within certain limits, of merchandise. As a part of its war effort, it entered upon the construction and operation of merchant vessels on a huge scale. It has built, and now operates under a tolls system the Panama Canal, and in connection therewith owns and operates various industrial enterprises. It has constructed and now operates a railroad in Alaska, and has more recently undertaken the operation of a barge system for the transportation of freight on the Mississippi River and certain of its tributaries. And in a number of other instances it has undertaken activities of a like character.

The operation of these enterprises involves the receipt and expenditure of many hundreds of millions of dollars annually. It is manifest that the statement of the total

receipts and expenditures of the government is vitally affected according to the manner in which these receipts and payments are handled in stating the accounts. Two methods are open: one where operations are shown on a gross basis, and the other where they are shown on the basis of their net results. Under the first, the gross receipts and expenditures of these undertakings are shown in the accounts precisely as the other receipts and expenditures of the government. Under the second, the receipts and expenditures of each enterprise are balanced one against the other and the accounts are made to show only the net result in the form of a surplus or deficit.

There is little doubt that the second of these methods is the one that it is desirable to follow in preparing statements having for their purpose to show the real income and expenditures of a government from the standpoint of the taxpayer. As these enterprises are run on the basis of having their expenditures met by their own receipts, the general treasury and taxpayer are affected by their operations only in so far as the general treasury is drawn upon to provide the capital outlay required to set them up or to meet deficits resulting from their operations, or may profit by having surrendered to it any surplus resulting from operations, or by the liquidation of their capital accounts.

An additional reason for the adoption of the net basis is the fact that, normally, the operations of these enterprises should increase with the increase in population and the development of the economic activities of the country. This is especially true of the postal service. If the gross basis of presentation is adopted, both the receipts and expenditures of the government will be correspondingly swelled with the result that an apparent increase in the cost of government may be shown, while, in fact, there may have been no such increase, in so far as the taxpayer is concerned, or at least no increase in the amount shown.

Unfortunately these considerations have not been uniformly recognized by those responsible for compiling and publishing the statements purporting to show the total receipts and payments of the national government. In cer-

tain cases, as in those of the Merchant Fleet Corporation, the Inland Waterways Corporation, and the Alaskan Railroad, the net basis is employed. In the case of the Postal Service, the net basis is, in principle, employed, though in stating the net results account is not taken of important categories of expenditures properly chargeable to such service, such as the cost of constructing and operating the buildings made use of by the postal service, and the cost of operating the Post Office Department proper. In the case of the Panama Canal use is made of the gross basis. In preparing the statements presented in the present study care has, therefore, been taken to correct this inconsistent treatment and to present the figures wholly upon a net basis. This means that, in the statements of receipts, is shown only the surplus resulting from the operation of a special business enterprise in so far as such surplus is actually covered into the General Fund and not retained by the enterprise as an addition to its working capital or for use by it in extending its plant, and, in the statement of expenditures, only the moneys actually issuing from the General Fund to meet deficits or to finance the setting up or extension of the enterprises.

Loan Receipts and Expenditures. The same reasons that dictate the adoption of the net basis for showing the financial operations of special business enterprises apply in the case of loan receipts and expenditures. To a considerable extent governments issue loans for the purpose of meeting other loans that are maturing. This has been especially so in the case of the national government during the period covered by this study. During this period, the government has issued many billions of loans. Without exception, the purpose of these issues has been to refund in part maturing prior loans, the remainder of such maturing obligations being met from the general revenues. The net result of these operations has, therefore, been a reduction instead of an increase in the outstanding bonded indebtedness of the government. From the standpoint of fidelity accounting it is entirely proper that these operations should be shown upon a gross basis; that is, one where all receipts

from loans are shown on the income side and all disbursements for the payment of loans on the expenditure side of financial statements. From the informational side, however, this treatment swells both sides of the accounts and tends to mislead rather than throw light upon the scale of governmental financial operations. From the standpoint of both the real cost of government and the burden entailed upon the taxpayer, the only significant fact is the net result of these refunding operations; that is, the net increase or decrease in the public debt therefrom resulting. The tables presented in this study are, therefore, prepared on this basis. Since the net result has, in all cases, been a reduction in debt, no item of receipts from loans appears in the tables showing governmental income, and the figures given in the expenditure statements represent the net reduction in bonded debt.

Repayable Expenditures. In at least one instance the direct expenditures made by a service are reimbursed by the institutions benefiting or on whose account the expenditures are made. The national banks are required to meet the cost of their inspection by the Comptroller of the Currency. The payments thus made by the banks are here treated as income and the expenditures entailed in making the inspections figure among the expenditures of the government.

Contributions. To a certain extent the expenditures of the national government for river and harbor improvements are met by contributions from the localities directly benefited from the improvement. These contributions are treated as income and the expenditures for the improvement are shown on the gross basis; i. e., the total of the expenditures made, regardless of the source from which the funds for meeting such expenditures were derived.

Receipts Credited Direct to Appropriations. In not a few cases the law provides that certain specified receipts shall be credited directly to appropriations. If such receipts were first accounted for as General Fund receipts and then transferred from the General Fund to the designated appropriations, no complication in stating the government income

would result from these provisions. Unfortunately, this has not always been done. In some cases these receipts have been credited direct to the appropriations and do not figure in the general statements of government receipts, with the result that such statements fail by those amounts to show the real income of the government. This applies to the earlier years covered by this study; in the later years this practice has been corrected. In any case, the amounts involved are so small that the showings made are not materially affected.

Basis of Financial Statements. In concluding this explanation of the action taken in seeking to compile data that will present a fuller and more analytical statement of the national government's financial condition and operations than is afforded by the official reports, it is necessary to point out that all of the statements regarding operations here given have been prepared on what is known as the "warrant basis" for the years 1921 to 1926, inclusive, and on the basis of "checks issued" for the years 1927 to 1930, inclusive.

Under the system of financial administration of the national government all payment into or from the general treasury are evidenced by documents known as "warrants," those evidencing moneys paid into the treasury being known as "receipt warrants" and those evidencing payments from the treasury as "pay warrants." "In the early history of the government when payments to public creditors were made by direct treasury warrants, the warrants issued during a given fiscal year represented the actual expenditures of the government. Subsequently, however, as the expenditures increased with the growth of governmental activities and it was found impracticable to make all payments by direct warrants, advances or credits in round amounts were authorized to be established in favor of disbursing officers, so that at the present time the major part of the general expenditures of the government are made by means of disbursing officers' checks from funds advanced to them upon accountable warrants. The funds thus advanced are placed to the credit of disbursing officers practically as a bookkeeping expedient, and, to the extent that the unexpended

balances of the funds so advanced vary between the beginning and the close of the fiscal year, the warrant expenditures differ from the actual expenditures for that year." Furthermore, "as a matter of fact, some of the money [advanced to disbursing officers] in many instances is not actually spent until the period following the one in which the advance is made, and, to some extent, not at all, the unexpended portion being returned to the appropriation accounts on the books of the Secretary of the Treasury in a subsequent period, which operates to reduce expenditures on a warrant basis for that year."¹ In like manner, the moneys actually covered into the treasury by means of receipt warrants may not represent accurately all moneys actually received by the government, since collection officers at all times hold moneys that have been received by them but which have not been paid into the treasury by them. And, to a certain extent, moneys received by them toward the close of the fiscal year may not be paid into the treasury until the year following.

It results from this that statements prepared on the warrant basis, show treasury receipts and expenditures rather than government receipts and expenditures more strictly considered. There can be no question that statements based on actual collections of revenues and actual payments in settlement of claims by disbursing officers would furnish more accurate information regarding governmental receipts and expenditures assigned to the years in which they are made. The superiority of the method of showing expenditures on the basis of checks issued by the disbursing officers, instead of warrants representing payments from the treasury to the disbursing officers, was recognized by the Treasury Department in 1926, and, beginning with the fiscal year 1927, that basis has been employed by it in stating the public accounts.

While the figures given in the treasury statements and the ones here presented are thus on different bases for the years 1921 to 1926, inclusive, and for the years following, the differences between the two are so slight, representing a

¹ Secretary of the Treasury, Annual Report, 1927, p. 90.

variation of probably less than one per cent, that comparisons between the years are vitiated to only a negligible extent.

Fund Distinctions. Were all government receipts constituting income covered into a single pot, or general fund, from which all payments to meet obligations were paid, the problem of keeping and stating the accounts of a government would be vastly simplified. Unfortunately, no such condition obtains in our national, nor for that matter in our state and local, governments. Taxes and other charges are imposed in many cases for specific purposes and can be used only for such purposes. Whenever this takes place it is necessary to treat each such special class of receipts and expenditures as a special fund, and to set up what is known as a General Fund into, and from, which all other payments are made, the assets of which represent the only money that is freely available for appropriation. In the national government there are several scores of such special funds, such as the Reclamation Fund, the Forestry Fund, the Civil Service Retirement Fund, and the like. These several funds constitute, as it were, separate financial entities, each having its own receipts, expenditures, assets, and liabilities. Both for fidelity purposes and in order to determine the extent to which the revenues of the government are pledged to particular purposes, and especially the extent to which the revenues and assets of the government are freely available for appropriation, it is desirable that an analysis should be made of government income and expenditures, assets and liabilities by funds. Incidentally, such an analysis would tend to bring out the extent to which the government has, as it were, tied its own hands in respect to the management of its financial affairs, and to raise the question as to whether it is not a mistaken policy to make provision for such a multiplicity of funds.

Unfortunately, while the accounting officers of the government must, perforce, observe fund distinctions in keeping their accounts, no adequate effort has been made to ob-

thus, not been possible, in the present study, to present information regarding the assets and liabilities and receipts and disbursements of the government that it is desirable to have. From the standpoint of the public this lack of information is not serious, however, since information regarding the income and expenditures of the government in which fund distinctions are observed is chiefly of value to those having direct responsibility for the voting of grants, the control of financial operations, and the actual conduct of the work of the government. It cannot be made too clear, however, that it is desirable that the financial reports of the government should contain statements in the nature of a balance sheet and operating statement for each public fund, with corresponding statements for each class of funds. Were such statements available, it would be possible to prepare general statements showing the assets and liabilities and receipts and expenditures, classified by funds.

PART I
FINANCIAL CONDITION



CHAPTER I

TREASURY BALANCE SHEET

The first thing that it is desirable to know regarding the financial affairs of an enterprise is its financial condition and how this condition compares with prior showings. The statement employed by private undertakings for imparting this information is known as a "balance sheet" and consists of a listing, under appropriate heads, of the assets and liabilities of the undertaking to which it relates, and their comparison so as to show their relations to each other and the "net worth" of the undertaking. No well-run private corporation would for a moment contemplate the establishment of an accounting system that did not permit of the preparation of such a statement.

In marked contrast, few governments have provided themselves with accounting systems that permit of the preparation of statements of this character. Certainly the national government has never done so. There are, indeed, not a few students of public finance who hold that governments are justified in this action. They point out that governments are not operated for the purpose of earning profits that may be distributed to their stockholders; that they do not have to operate their affairs on the basis that they may ultimately have to undergo liquidation; that a large part of their assets consist of property, such as roads, sewers, parks, etc., that is dedicated to the use of the public rather than made use of by them in their own operations; that much of their remaining assets are in the form of public buildings, school houses and the like, which, under no reasonably conceivable contingency, are available for meeting obligations; and that the greatest asset a government has, its power to levy and collect taxes, can not be effectively shown upon a balance sheet. It is their contention, therefore, that a balance sheet constructed along the lines of those made

use of by private corporations would not only serve no useful purpose but might even be misleading, if attempt is made to make use of it as a means of determining the real financial condition of the government to which it relates, or as a basis for the formulation of future financial policies.

There is undoubtedly much of truth in these contentions. Nevertheless, it is believed that such a balance sheet is desirable for all governments. Though it does not have the value and importance that attaches to the balance sheets of private corporations, it at least furnishes information that it is desirable to have regarding the position of the government from a proprietorship or investment standpoint. If properly prepared, so as to distinguish clearly between current and fixed assets, it should not, moreover, be open to misuse. On the contrary, through the contrasting of current assets with current liabilities, it furnishes very essential information regarding the condition of the government's treasury that it is desirable to have in the formulation of future financial policies.¹

Whatever position may be taken in regard to this matter, it is at least certain that every government should cause to be prepared annually a statement in the nature of a balance sheet, in which treasury, as distinguished from governmental, assets and liabilities should be listed and compared, and which, to distinguish it from a general balance sheet, may be given the designation of a "treasury balance sheet." As indicated by its designation the purpose of this statement is to bring out the information regarding the condition of the treasury rather than that of the government as a whole, viewed from the proprietary standpoint. Such a statement has been prepared for the national government and is given as Table 1.

The most important feature of this statement is that it is rigidly restricted to the listing and comparison of those

¹ The best prepared government balance sheet with which the writer is familiar is that of the Territorial Government of Hawaii. See "Manual of Accounting, Reporting and Business Procedure for the Territorial Government of Hawaii," by H. P. Seidemann, pp. 124, 125, Institute for Government Research, Studies in Administration (1928).

assets and liabilities of the government that directly affect the treasury. In it, no attempt is thus made to list and value such fixed assets as land and its improvements, parks, forests, and the like. Nor is the attempt even made to include such assets as the investment of the government in such revenue-producing enterprises as the Panama Canal, the Alaskan Railroad, Muscle Shoals, and the like. The fact that the government has such property and investments should, however, be kept in mind. Their value runs into the billions of dollars, and undoubtedly exceeds by a large margin the net deficit shown by the balancing of treasury assets and treasury liabilities, with the result that were it possible to prepare a general balance sheet for the government, such statement would show a large excess of assets over liabilities.

A second point to be noted regarding this statement is that, notwithstanding its restricted scope, it furnishes, in an exceptionally effective way, information regarding the real progress made by the government in improving its financial position, and the data needed for the formulation of future financial policies. Such policies have to be framed, not on the basis of the relationship between the total assets, including in such assets fixed property which, whatever may be possible in theory, is not in practice available for meeting government obligations, and total liabilities, but on that of the assets actually available to the treasury to meet obligations, present and prospective. Such data this statement presents with great completeness and in form that can readily be comprehended.

The primary distinction made in listing treasury assets and liabilities in this statement is that between current and capital assets and liabilities. The figures showing current assets and liabilities are of relatively little importance. As in every well run enterprise the effort is made to keep funds, as far as possible, productively employed. The current requirements of the treasury can be determined with a fair degree of accuracy. Only so much money is carried in the current balance as is necessary to insure ability to meet current demands. As fast as the balance runs beyond this

1. TREASURY BALANCE SHEET—

	1921	1922	1923	1924
ASSETS				
1. Current Assets				
1. Cash in treasury	\$367,330,508.73	\$297,424,026.61	\$264,336,498.47	\$237,501,923.09
2. Cash in depositories	556,157,318.40	233,333,059.94	372,469,684.78	240,874,456.53
3. Drafts, etc.	3,868,451.89	3,786,362.56	4,796,403.83	34,460,114.92
Total Current Assets	927,356,279.03	534,543,452.11	641,602,587.08	512,845,494.75
2. Capital Assets				
1. Foreign Government Obligations				
1. War loans ¹	10,990,277,011.15	10,904,137,661.78	11,011,339,274.16	11,250,044,416.03
2. Sale of war and relief supplies ²	739,004,220.22	752,795,075.67	788,670,970.84	791,396,505.96
3. Germany: Reparations ³	47,531,941.60	49,633,681.32	51,734,421.04	53,837,160.76
4. Germany: Expenses army of occupation ⁴	236,364,642.53	247,866,401.82	247,866,401.82	247,866,401.82
Total Foreign Government Obligations	12,013,177,815.50	11,954,432,820.59	12,099,611,067.86	12,343,144,484.57
2. Securities of Subsidiary Corporations				
1. Merchant Fleet Corporation: stock	50,000,000.00	50,000,000.00		16,979,310.31
2. Inland Waterways Corporation: stock			7,000,000.00	7,000,000.00
3. Panama Railroad Company: stock	6,700,675.00	4,264,880.00	3,086,070.00	1,985,500.00
4. Federal Land banks: stock				
5. Federal Land banks: bonds (Federal Farm Loan bonds)	183,635,000.00	133,635,000.00	101,885,000.00	101,885,000.00
6. Federal Intermediate Credit banks: stock			12,000,000.00	24,000,000.00
7. War Finance Corporation ⁵	97,080,376.57	191,478,377.53	82,042,123.40	29,562,192.25
8. U. S. Grain Corporation	50,000,000.00	25,000,000.00		
9. U. S. Housing Corporation ⁶	66,500,000.00	54,072,264.89	49,290,036.02	46,334,335.24
10. Sugar Equalization Board, Inc. ⁷	5,000,000.00			
11. U. S. Spruce Production Corporation ⁸		6,542,193.45	7,086,665.56	10,000,000.00
12. Hoboken Manufacturers Railroad Company		400,000.00	400,000.00	400,000.00
Total Securities, Subsidiary Corporations	458,286,051.57	477,392,715.92	262,739,894.98	237,086,337.80
3. Loans				
1. Railroad obligations	680,438,653.67	456,505,129.93	419,383,158.97	449,377,995.16
2. Shipping Board loans ⁹				
3. Federal Farm Board loans				
4. Farmers seed, feed, and relief loans ¹⁰				
Total Loans	680,438,653.67	456,505,129.93	419,383,158.97	449,377,995.16
4. Securities: Sale of War Supplies and Ships (Domestic)	104,089,768.89	77,761,599.43	66,751,175.55	58,519,806.13
5. Central Branch, Union Pacific Railroad	3,553,891.09	3,540,373.55	3,523,703.52	3,505,932.27
Total Capital Assets	13,259,546,180.72	12,069,632,639.42	12,852,009,000.83	13,091,634,555.93
TOTAL ASSETS	\$14,186,902,459.75	\$13,504,176,091.53	\$13,493,611,587.96	\$13,604,480,050.68
LIABILITIES				
1. Current Liabilities				
1. Accounts payable	\$394,457,949.25	\$270,416,516.26	\$271,715,771.05	\$274,815,980.01

FINANCIAL CONDITION

25

JUNE 30, 1921-1930

1925	1926	1927	1928	1929	1930
\$226,605,026.45 229,641,311.59 3,285,897.20	\$207,481,915.43 251,743,029.85 60,801,453.14	\$202,347,945.52 265,775,818.11 1,894,701.35	\$202,981,561.50 304,977,011.39 2,207,454.98	\$223,796,414.14 431,186,005.39 1,166,997.26	\$97,832,659.39 354,805,675.41 869,663.92
459,532,235.24	520,026,998.42	470,018,464.08	510,106,027.87	656,149,416.79	453,508,328.72
11,206,302,417.09 792,583,392.11 65,938,900.48	11,799,879,167.80 58,040,640.20	11,871,848,233.34 60,142,379.02	11,853,406,768.55 62,244,119.64	11,829,755,777.51 64,345,859.36	11,641,508,460.09 66,447,509.08
233,141,247.42	233,141,247.42	220,083,307.95	206,081,334.92	198,036,765.20	184,905,296.26
12,377,965,957.10	12,001,061,055.42	12,152,073,921.21	12,122,632,223.11	12,088,038,402.07	11,892,801,356.33
5,580,445.81	6,613,672.75	15,769,078.12	24,314,496.62	13,020,304.92	20,073,105.69
1,500,000.00 7,000,000.00 1,513,945.00	1,500,000.00 7,000,000.00 1,180,440.00	4,000,000.00 7,000,000.00 842,008.00	5,000,000.00 7,000,000.00 555,700.00	7,500,000.00 7,000,000.00 383,028.75	9,000,000.00 7,000,000.00 292,519.25
88,885,000.00	60,495,000.00				
24,000,000.00	24,000,000.00	25,000,000.00	25,000,000.00	30,000,000.00	30,000,000.00
39,882,880.54	36,153,403.42	32,642,324.88	30,683,508.89	29,023,596.47	27,396,781.71
10,000,000.00	10,000,000.00	99,993.00	99,993.00	99,993.00	99,993.00
400,000.00	400,000.00	400,000.00			
178,761,371.35	147,342,516.17	85,753,404.00	92,653,698.51	87,026,923.14	93,862,399.65
316,300,324.29 5,140,000.00	299,112,850.64 6,010,000.33	230,484,076.05 9,550,801.66	74,608,948.38 14,055,769.99	62,693,601.99 19,478,438.32	54,792,274.87 38,500,667.65
321,440,324.29	306,022,850.97	240,034,877.71	88,064,718.37	82,177,120.31	93,262,942.62
55,647,973.33	58,152,994.12	59,252,933.31	37,141,585.18	67,760,477.91	84,001,701.09
3,482,833.23	3,466,834.82	3,455,555.89	3,440,417.44	3,424,611.29	3,396,549.02
12,937,298,459.30	12,006,046,251.50	12,540,570,692.12	12,344,532,642.61	12,328,427,834.72	12,167,414,949.21
\$13,396,830,694.54	\$13,126,073,249.92	\$13,010,589,157.10	\$12,854,698,670.48	\$12,984,576,951.51	\$12,620,923,277.93
\$239,552,794.42	\$308,898,919.99	\$237,420,344.50	\$249,975,697.02	\$331,642,565.96	\$140,725,413.69

1. TREASURY BALANCE SHEET—

	1921	1922	1923	1924
LIABILITIES—Continued				
2. Capital Liabilities				
1. Debt				
1. Interest bearing	\$23,737,352,080.37	\$22,711,035,587.45	\$22,007,590,754.03	\$20,981,586,429.66
2. Matured on which interest has ceased	10,939,620.26	25,250,880.26	98,172,160.26	30,241,250.26
3. Bearing no interest	227,958,907.77	227,792,722.87	243,924,843.55	239,202,746.01
4. Other	370,195,152.29	296,463,860.40	176,085,460.89	164,954,358.94
Total Debt	24,346,445,760.69	23,260,543,051.07	22,525,773,218.73	21,416,074,785.77
Total Capital Liabilities	24,346,445,760.69	23,260,543,051.07	22,525,773,218.73	21,416,074,785.77
TOTAL LIABILITIES	\$24,740,903,709.94	\$23,530,959,567.33	\$22,797,488,989.78	\$21,690,890,765.78
EXCESS OR DEFICIT				
Excess, Current Assets over Current Liabilities	+ 532,898,329.78	+ 264,126,935.85	+ 369,886,816.03	+ 238,029,514.74
Deficit, Capital Assets over Capital Liabilities	— 11,086,899,579.97	— 10,290,910,411.65	— 9,673,764,217.85	— 8,324,440,229.84
Deficit, Total Assets over Total Liabilities	—\$10,554,001,250.19	—\$10,026,783,475.80	—\$9,303,877,401.82	—\$8,086,410,715.10

¹ Except for Foreign Government Obligations, as of November 15.

² Foreign Government obligations includes accrued interest to last interest date, which in most instances is at November 15, following the end of the fiscal year. The various refunding agreements combined the "War Loans" and the loans on account of war and relief supplies, making it impossible to segregate these items, 1926 to 1930.

³ Germany: Reparations represents an estimate of amounts due at June 30. The original amount established by the Armistice agreement was \$42,094,794.41, which is shown here, including an annual increase of \$2,101,739.72 accrued interest at 5 per cent on basis of 365 days a year. The total amount of interest accrued as here stated aggregates \$22,311,004.95 at June 30, 1929. The annual report of the Secretary of the Treasury states an amount of approximately \$22,900,000 as at August 31 of the same year, which indicates our calculations are approximately correct.

⁴ Germany: Army Costs. These amounts were established by deducting from the original amount the repayments under the Dawes and Young plans and represent the balances as at June 30, 1921-1926, as at September 1, 1927-1929, and as at October 1, 1930.

⁵ The refunding agreement with Germany, which materially changed the value of Germany's obligations, was consummated prior to the close of 1930 fiscal year, but inasmuch as the agreement states the obligations to be paid, in Reichsmarks, the values here stated are on the same basis as for prior years.

⁶ The original capital stock of \$50,000,000 is still outstanding. The amounts shown are net, representing total capital less cash deposited in the treasury by the corporation.

⁷ Capital stock of \$500,000,000 outstanding 1921-1924. The amounts shown are net, representing total capital less cash deposited in the treasury. \$499,000,000 capital stock was retired in 1925 and an additional \$990,000 in 1929, leaving a balance of \$10,000 outstanding.

⁸ Capital stock of \$70,000,000 outstanding. The amounts shown are net, representing total capital less cash deposits.

⁹ Capital stock of \$5,000,000 outstanding. The amounts shown are net, representing total capital less cash deposits. Total retired in 1927.

amount it is applied to the reduction of the interest-bearing debt. The result is that the excess of current assets over current liabilities has tended to remain fairly stable at from \$200,000,000 to \$300,000,000. At particular periods, and especially immediately before and after the payment of the quarterly installments of income taxes, and the payment by the government of interest on its bonds and the redemption of maturing short term obligations, this amount for short periods may be considerably below or above this normal balance.

JUNE 30, 1921-1930—Continued

1925	1926	1927	1928	1929	1930
\$20,210,906,251.35	\$19,383,770,860.05	\$18,250,943,965.95	\$17,317,095,096.45	\$16,638,941,379.35	\$14,921,892,350.00
30,242,930.26	13,327,800.26	14,707,235.26	45,331,860.26	50,751,399.26	31,715,370.26
275,122,993.12	246,084,419.38	244,523,004.89	241,263,806.22	241,504,908.99	231,700,578.92
142,941,522.28	140,639,570.52	144,712,313.03	123,505,274.98	156,065,842.99	112,857,444.56
20,659,213,697.01	19,783,832,650.21	18,654,886,579.13	17,727,795,837.91	17,067,261,590.50	16,298,165,743.74
20,659,213,697.01	19,783,832,650.21	18,654,886,579.13	17,727,795,837.91	17,067,261,590.50	16,298,165,743.74
\$20,898,766,491.43	\$20,092,731,570.20	\$18,892,306,923.63	\$17,977,771,534.03	\$17,398,904,155.46	\$16,438,891,157.43
+ 219,979,440.82	+ 211,128,078.43	+ 232,598,120.48	+ 260,190,320.85	+ 324,506,850.53	+ 312,782,915.03
- 7,721,915,237.71	- 7,177,786,399.71	- 6,114,315,887.01	- 5,383,263,195.30	- 4,738,834,055.78	- 4,130,750,704.53
- \$7,501,935,796.89	- \$6,966,638,320.28	- \$5,881,717,766.53	- \$5,123,072,864.45	- \$4,414,327,204.95	- \$3,817,967,879.50

* Capital stock of \$10,000,000 outstanding. The amounts shown are net, representing total capital less cash deposits. \$9,900,007 retired in 1927.

¹⁰ Amounts here stated were obtained from the annual report of the Shipping Board and represent the balance of loans outstanding as at June 30, i.e., total loans less repayments of principal, and does not include accrued interest.

¹¹ The following appropriations have been made available for relief to farmers under the direction of the Secretary of Agriculture

1. Seed Grain Loans

Act of March 3, 1921..... \$2,000,000

Act of March 20, 1922..... 1,500,000

2. Seed and Feed Loans, New Mexico

Act of April 26, 1924..... 1,000,000

3. Flood and Drought Relief

Act of February 25, 1929..... 6,000,000

Act of March 3, 1930..... 7,000,000

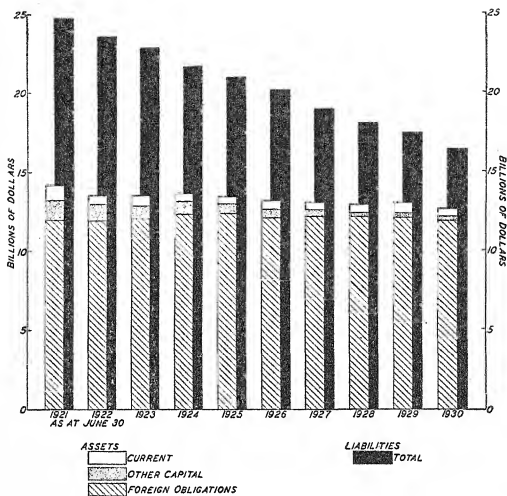
No amounts are here stated for loans made from these authorizations for the following reasons:

a. No security was taken by the Secretary of Agriculture other than the crops produced as a result of such aid.

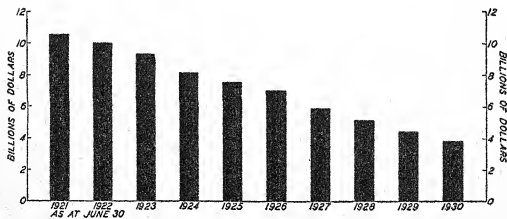
b. Borrowers for seed grain under acts of 1921 and 1922, whose crops were failures or produced less than five bushels per acre were released from repayment under "Joint Circular No. 6," issued under authority of the provisions contained in the Agricultural appropriation act of 1921.

c. Neither the published statements of the Secretary of Agriculture nor the Treasury Department reports show the exact amounts outstanding at any given date under these acts.

Prime interest thus attaches to the information given by the table regarding the treasury's capital assets and liabilities. So far as the writer knows, no previous effort has been made to compare these data with a view to bringing out the real situation of the treasury. The statement is continually made that the bonded indebtedness of the national government is so many billions, no mention being made that the treasury has owing to it other billions of interest-bearing obligations which are in the nature of offsets to such indebtedness. The extent to which such statements tend to mislead regarding the real debt situation of the treasury is



1. TREASURY BALANCE SHEET, JUNE 30, 1921-1930
(From Table 1)



2. NET EXCESS, TREASURY LIABILITIES OVER TREASURY ASSETS
(From Table 1)

brought out by this statement. It will thus be seen that while the capital obligations or debt of the treasury, on June 30, 1921, was \$24,346,445,760.69, the treasury had at that time interest-bearing obligations of others amounting to \$13,259,546,180.72, so that its real situation from capital indebtedness standpoint was but \$11,086,899,579.97. Or, taking the date June 30, 1930, while the treasury had outstanding debt to the amount of \$16,298,165,743.74, it owned capital obligations to the amount of \$12,167,414,949.21, leaving its net debt situation represented by the difference between these two sums, as \$4,130,750,794.53.²

This listing and comparing of capital assets and liabilities is, furthermore, of importance from the standpoint of determining the progress being made in the improvement of the government's debt situation. A mere statement that the public debt has been reduced by a certain amount during the year tells only a part of the story and taken alone may produce quite a misleading impression. Thus, to illustrate, during the year ended June 30, 1930, the capital liabilities or debt of the government was reduced from \$17,067,261,590.50 to \$16,298,165,743.74, or \$769,095,846.76. During that year, however, the capital assets of the government dropped from \$12,328,427,534.72 to \$12,167,414,949.21, or \$161,012,585.51. The net improvement in the debt situation of the government was thus not \$769,095,846.76, but that sum less the reduction in the capital assets of the government, or \$608,083,261.25. It may also occur that the debt reduction shown was in part accomplished through the reduction in the balance of current assets over current liabilities. Thus, the reduction of debt credited to the year 1922 was brought about to the extent of \$268,771,393.93 through a reduction in the excess of current assets over current liabilities. Finally, it may also happen that the government may at the same time improve its financial situation by a reduction in its capital liabilities, an increase in its capital assets, and an increase in its cash balance in excess of its

² The contingency that, as the result of a readjustment of the debt settlement or default on the part of the debtor, the full amount of the debt due by foreign governments may not be paid should, of course, be recognized.

current liabilities. The real measurement of financial progress is thus to be found in the last item of the table, that showing the change that has taken place from year to year in the excess or deficit of total assets over total liabilities. Using these figures it will be seen that the improvement that has taken place during the years covered by the table is as shown in the following statement:

Fiscal Year	Excess Total Liabilities over Total Assets	Reduction during the Year
1921.....	\$10,554,001,250.19	
1922.....	10,026,783,475.80	\$ 527,217,774.39
1923.....	9,303,877,401.82	722,906,073.98
1924.....	8,086,410,715.10	1,217,466,686.72
1925.....	7,501,935,796.89	584,474,918.21
1926.....	6,966,658,320.28	535,277,478.61
1927.....	5,881,717,766.53	1,084,940,553.75
1928.....	5,123,072,864.45	758,644,902.08
1929.....	4,414,327,204.95	708,745,659.50
1930.....	3,817,967,879.50	596,359,325.45

Or, taking the whole period, the government improved its financial situation by the sum of \$6,736,033,370.69, or an average of \$748,448,152.30 for each of the nine years.

In addition to furnishing information regarding the net situation of the treasury, this statement also furnishes valuable data regarding the extent to which the government has pursued the policy of investing its funds in interest-bearing securities and the character of these investments. As shown by the statement, these investments fall, for the most part, under the three heads of: Foreign Government Obligations, Securities of Subsidiary Corporations, and Loans. In the three chapters immediately following will be given an account of the circumstances leading to the making of these investments and certain additional data regarding them. The fourth class indicated, Securities: Sale of War Supplies and Ships (Domestic), came into existence as the result of the authorization given to the War and Navy Departments and the U. S. Shipping Board, in disposing of their surplus war supplies and ships to domestic purchasers, to accept in payment, where deemed desirable, the interest-bearing obligations of the purchasers in lieu of cash. It will be seen from the balance sheet that, on June 30, 1921, there was

owing to the government on this account a total of \$104,-089,768.89, but that this item has steadily diminished in amount during the succeeding years with the result that on June 30, 1930, there remained due on this account only \$84,001,701.69.

The item, Central Branch Union Pacific Railroad, represents a balance due the government by that railroad from a period dating back sixty years or more when the government sought to aid in the construction of transcontinental railroads by the grant to the railroad of public lands and the guaranty of its bonds or the subsidizing of its work in one way or another. There might be some question as to whether this item should appear on the balance sheet, since it apparently is not payable in cash, but is being gradually liquidated by the use of the railroad by government officers in traveling on official business.

CHAPTER II

FOREIGN GOVERNMENT OBLIGATIONS

The capital assets of the treasury in the form of moneys owed to it by foreign governments has a special interest, both on account of the large sums involved and the fact that a great difference of opinion has existed, and to a certain extent still exists, in the United States as well as in the debtor countries, as to whether, in view of all the circumstances surrounding the incurring of these obligations, the provision that has been made for the payment of certain of them is a just and equitable one.

A consideration of this issue does not fall within the scope of this study. In view of the importance of these assets it is desirable, however, to present in greater detail than has been done in the treasury balance sheet the more important facts regarding the purposes for which these loans were made or the obligations secured, the payments that have been made on account of these obligations, interest and principal, and the balances now due by the several debtor countries.

These obligations are of four kinds: (1) The obligations of the governments with which the United States was associated in the prosecution of the late war, representing the advances made by the government of the United States to these governments to assist them in financing their war operations;¹ (2) the obligations given by foreign governments to the United States government in payment of war and relief supplies furnished to them after the termination of the war; (3) the obligations assumed by the German government for the indemnification of the government of the United States and its nationals for damages inflicted by it upon them as the result of war operations; and (4)

¹ To a considerable extent these advances were made subsequent to the termination of hostilities by the Armistice. Especially is this true of the advances made to France.

the obligation assumed by the German government to repay to the United States government the cost of its army of occupation during the period that the United States participated in the occupation of German territory following the Armistice.

War and Relief Loans. The distinction that has been made between so-called war loans; that is, loans made to the debtor nations for war purposes, even though these loans to a considerable extent were made subsequent to the Armistice, and those obligations resulting from the sale to the debtor countries of war and relief supplies which, under the conditions of sale, were not required to be paid for in cash, is of interest not only from the standpoint of knowing the purposes of the loans but also because of the attitude of the debtors. At least one country, France, has persistently held that there was a fundamental difference between the two and that its moral obligation to discharge its debt was quite different in respect to that contracted on account of the purchase of war supplies subsequent to the Armistice and that resulting from loans made to it for the prosecution of the war, even though a considerable portion of such loan was made after the Armistice. The first, it denominated a "commercial" debt and recognized that it should be met like any other obligation; the latter, it designated a "political" debt and maintained that the circumstances under which it was contracted were such as largely if not wholly to relieve it of any moral obligation to repay. This contention was rejected by the United States. This point of difference between the two countries was responsible for the long delay in the final adjustment of the conditions under which the French debt should be refunded. In this final adjustment, the two classes of obligations were merged, in the case of all debtor countries, and the schedule of payments called for by the refunding agreements covered both classes as a single unified obligation.

The advances for war financing as originally made to the countries allied with us in the prosecution of the war took the form of demand obligations which at first bore

an interest rate of $3\frac{1}{2}$ per cent, this being the interest rate carried by the First Liberty Loan. This rate was subsequently increased to 5 per cent. At the conclusion of the war period it was recognized, however, that it would be impossible for the debtor nations to make payment on demand if such demand took the form of complete payment at one time and that an interest rate of 5 per cent, while quite justified during the war period, was excessive if continued on obligations to run for a considerable period of time. Congress, accordingly, by an act approved February 9, 1922, provided for the creation of a body to be known as the World War Foreign Debt Commission, to which was entrusted the task of negotiating with each of the debtor nations an agreement for the funding of its obligations into bonds that would run for a period terminating not later than June 15, 1947, and should bear interest at a rate of not less than $4\frac{1}{4}$ per cent per annum. It was soon seen, however, that these limitations were too rigorous, and Congress, by the act of February 28, 1923, approving the funding agreement that had been negotiated by the Commission with Great Britain, removed these limitations and provided that the Commission might negotiate such funding agreements with the other debtor nations as it believed to be just, subject, however, to the subsequent approval of Congress.

The act creating the Commission limited its life to three years. The Commission not having completed its task in that time, its existence was later extended for two years longer. It therefore came to an end on February 9, 1927. During this five-year period, it negotiated funding agreements with the great majority of the debtor nations, which agreements were reported to Congress and received the approval of that body. Subsequently, the Secretary of the Treasury effected funding agreements with all the remaining debtor countries, except Russia and Armenia, the last being those with France and Greece in 1929. These agreements were likewise reported to Congress and received the approval of that body. As Armenia has practically ceased to be an independent country and Russia has

repudiated its debt, the work of refunding these war debts may thus be said to have been brought to a conclusion.

It would take us too far afield to attempt to set forth in any detail the nature of these agreements. In general, it may be said, however, that they were negotiated on the basis of "capacity to pay," that is, consideration was given to the financial and economic conditions, existing and prospective, and payments were fixed such as it was believed the debtor nations, in view of these conditions and prospects, could reasonably be expected to meet. It resulted from this that the conditions varied with each country. In all cases, however, the agreements provided for the repayment of the entire capital obligation, concessions to the debtor countries taking the form of a low rate of interest on the debt as refunded and the spreading of the payments over a long period of years. All agreements, moreover, provided for the liquidation of the indebtedness, principal and interest, in the form of annual payments or annuities. These payments were made to vary in amount from year to year, being generally of a comparatively low amount in the early years and progressively increasing in succeeding years. This provision was made in recognition of the difficulties confronting the debtor nations of making large payments immediately and the probability that such difficulties would become less as time elapsed.

Another feature of these refunding agreements was that the interest that had accrued up to the date of the refunding agreement and remaining unpaid was funded and added to the principal, and that interest will subsequently run on this combined sum of original principal and funded interest. This resulted in the production of a new principal which was considerably larger than the original, due to the fact that to but a comparatively slight extent had the debtor nations met their interest obligations prior to the negotiation of the refunding agreements.

Turning now to a consideration of the actual amount of these obligations, it has been thought of interest, first, to set forth in one comprehensive statement the total amount of money that has become due to the United States, whether

in the way of original principal loaned or interest accrued thereon to date. Such a showing is made in Table 2.

In this table, there is first given the original principal of the loans to the governments of the several countries indicated, the distinction being made between those made for war financing purposes and those representing the sale of war and relief supplies. The columns bearing the general

2. FOREIGN GOVERNMENT OBLIGATIONS: TOTAL

Country	AMOUNTS DUE THE			
	ORIGINAL PRINCIPAL			Paid Prior to Funding
	War Loans	War and Relief Supplies	Total	
Armenia ¹		\$11,959,917.49	\$11,959,917.49	
Austria ²		24,055,708.02	24,055,708.92	
Belgium.....	\$349,214,467.89	20,872,732.54	379,087,200.43	\$18,543,642.87
Cuba.....	10,000,000.00		10,000,000.00	2,298,751.58
Czechoslovakia.....	61,974,041.10	29,905,629.93	91,879,671.03	304,178.09
Estonia.....		12,066,222.05 ²	12,066,222.05 ²	1,441.88
Finland.....		8,231,920.17	8,231,920.17	309,315.27
France.....	2,267,477,800.00	407,341,145.01	3,404,318,945.01	221,386,302.82
Great Britain.....	4,277,000,000.00		4,277,000,000.00	357,896,657.11
Greece.....	27,167,000.00 ²		27,167,000.00 ²	1,150,153.34
Hungary.....		1,685,835.61	1,685,835.61	753.04
Italy.....	1,648,034,050.90		1,648,034,050.90	57,598,852.62
Latvia.....		5,132,287.14	5,132,287.14	130,829.96
Liberia.....	26,000.00		26,000.00	10,471.56
Lithuania.....		4,981,028.03	4,981,028.03	1,456.97
Nicaragua ¹		431,849.14	431,849.14	27,561.98
Poland.....		159,666,972.39	159,666,972.39	2,048,224.28
Roumania.....	25,000,000.00	12,922,675.42	37,922,675.42	263,313.74
Russia ¹	187,729,750.00	4,871,547.37	192,601,297.37	8,748,878.87
Yugoslavia.....	26,780,465.56	24,978,020.99	51,758,486.55	639,059.14
Total.....	\$9,610,403,575.45	\$738,154,098.20 ²	\$10,348,557,673.65 ²	\$671,353,844.11

¹ Unfunded at November 15, 1930.

² Austria funding agreement called for payments aggregating \$33,428,500 in 25 equal annual installments beginning 1943, or as an optional plan \$24,614,885, beginning in 1929. The optional plan was accepted by Austria, and payments have been received for 1929 and 1930. The interest funded under the original agreement would have been \$9,372,791.08.

heading Interest have for their purpose to show, not the amount of interest that has been paid or that remains unpaid, but the total that has accrued, regardless of whether paid or unpaid. In stating this accrued interest, it was thought to be of value, however, to indicate that part which had been paid prior to refunding, that part that was funded and thus merged into a new principal, that part that was paid on this new funded principal, and that part representing interest accrued and unpaid as of the date of the statement, November 15, 1930. The last column

thus shows not the amount of the debt due the United States on November 15, 1930, but the total of the debt, principal and interest, to date, regardless of whether paid or not.

From this table it appears that up to November 15, 1930, the United States government had payable to it on account of loans and advances made to foreign governments, exclu-

INCLUDING INTEREST ACCRUED TO NOVEMBER 15, 1930

UNITED STATES ON ACCOUNT OF

INTEREST				Total Principal and Interest Accrued to Date
Funded	Paid on Funded Debt	Accrued and Unpaid November 15, 1930	Total Interest	
.....	.....	\$6,461,223.85	\$6,461,223.85	\$18,421,141.34
\$559,176.08	.....	.....	559,176.08	24,614,885.00
40,750,429.94	\$11,240,000.00	.....	70,534,072.81	449,621,273.24
.....	.....	.....	2,286,751.58	12,286,751.58
93,191,352.04	.....	.....	93,405,530.13	185,375,201.16
1,763,777.95	850,000.00	2,545,440.32	5,100,669.15	17,226,882.20
718,073.83	1,990,425.00	.....	3,017,814.10	11,299,740.27
684,870,643.17	.....	.....	906,256,945.99	4,311,075,891.00
525,181,641.56	1,017,960,000.00	.....	1,900,438,298.67	6,177,438,298.67
5,332,922.67	717,860.00	.....	7,209,936.01	34,376,936.01
296,719.89	336,284.65	.....	633,767.58	2,319,593.19
394,330,268.38	.....	.....	451,920,121.00	2,099,963,171.90
642,712.86	350,000.00	1,063,127.75	2,186,669.56	7,318,956.70
.....	.....	.....	10,471.56	36,471.56
1,450,926.97	705,194.04	.....	2,157,577.98	7,139,206.01
.....	.....	33,000.00	60,561.93	492,411.12
18,898,027.61	13,137,365.89	30,597,726.06	64,676,343.84	224,543,316.23
30,436,517.03	.....	.....	30,099,880.77	68,622,500.19
.....	.....	115,965,221.66	124,714,100.53	317,315,397.90
11,819,226.00	.....	.....	12,455,285.14	64,213,771.69
\$1,810,237,415.98	\$1,046,687,129.58	\$156,665,739.64	\$3,684,944,129.31	\$14,033,501,802.96

* Exclusive of \$1,932,923.45 allowed on account of cargo on ship sunk by mine. Original principal \$13,999,145.50.

* Represents the total amount of interest to be funded under the deferred payment plan, as stated in the agreement.

* Includes \$12,167,000 additional loan May 10, 1929, under funding agreement.

* Stated as \$115,721,644.29 Annual Report, Secretary of the Treasury, 1930, p. 608.

sive of Germany, a grand total of \$14,033,501,802.96. Of this sum only \$10,348,557,673.65 represented the original principal, the balance \$3,684,944,129.31 representing accrued interest. Of the original principal, \$9,610,403,575.45 represents war loans and \$788,154,098.20 obligations given by foreign governments in return for war supplies sold to them or relief supplies furnished. Of this latter sum over half, or \$407,341,145.01 represents the purchase price by France for the large amount of war supplies turned over to France at the time the United States troops left that

NATIONAL FINANCE

3. FOREIGN GOVERNMENT OBLIGATIONS: PAYMENTS ON ACCOUNT OF, AND BALANCES DUE, NOVEMBER 15, 1930

Country	Total Original Principal and Interest Accrued	PAYMENTS ON ACCOUNT OF					Total Principal and Interest	Balances Due
		Principal Original and Funded	INTEREST			Total		
			Prior to Funding	On Funded Debt				
Armenia.....	\$18,421,141.24	\$575,112.00					\$575,112.00	\$18,421,141.24
Austria.....	24,614,885.00	15,107,630.37	\$18,545,642.87	\$11,240,000.00		\$29,783,642.87	44,891,273.24	24,039,773.00
Belgium.....	449,621,273.24	10,000,000.00	2,286,751.58			2,286,751.58	12,286,751.58	404,730,000.00
Cuba.....	12,286,751.58	15,000,000.00	304,178.09			304,178.09	15,304,178.09	
Czechoslovakia.....	185,375,201.16							
Egypt.....	17,228,782.27	341,000.00	300,115.25	1,850,000.00		2,491,115.25	2,831,441.88	16,375,440.32
France.....	6,117,075,891.60	224,639,538.18	221,396,302.82	1,990,425.00		2,436,351,266.00	2,436,351,266.00	3,865,460,000.00
Great Britain.....	6,117,433,298.67	376,131,641.56	357,896,657.11	1,017,360,000.00		1,772,254,054.68	1,772,254,054.68	4,426,000,000.00
Greece.....	34,376,936.01	739,922.67	1,159,153.34	717,850.00		1,576,925,637.11	1,576,925,637.11	31,760,000.00
Hungary.....	2,315,593.19	62,240.50	57,598,832.82	336,284.65		58,995,468.02	59,312,058.21	1,920,315.00
Italy.....	2,069,983,171.90	26,364,319.28	57,598,832.82	336,000.00		58,431,632.82	82,963,171.90	2,017,000,000.00
Lithuania.....	7,130,206.01	36,000.00	10,471.56			46,471.56	46,471.56	7,083,724.45
Nicaragua.....	7,130,206.01	187,253.00	1,546.97	705,194.04		706,741.01	903,999.01	6,225,207.00
Poland.....	492,411.12	141,221.15	27,561.98			27,561.98	168,783.13	323,627.99
Romania.....	68,622,506.19		2,048,224.28	13,137,365.89		15,185,590.17	15,185,590.17	209,157,726.06
Russia.....	317,213,397.90	3,798,632.02	263,213.74			263,213.74	4,061,945.76	64,560,560.43
Yugoslavia.....	64,213,717.59	1,727,712.55	8,748,878.87			8,748,878.87	8,748,878.87	308,500,519.03
Total.....	\$14,033,501,802.96	\$673,932,278.28	\$971,353,844.11	\$1,046,687,129.58		\$1,718,041,043.69	\$2,391,993,341.97	\$11,641,508,460.99

country following the Armistice. It will be noted that the great bulk of the obligations due the United States from foreign governments on account of loans to them is due by the three countries, Great Britain, France, and Italy, and of these three, Great Britain is by a considerable amount the most important debtor.

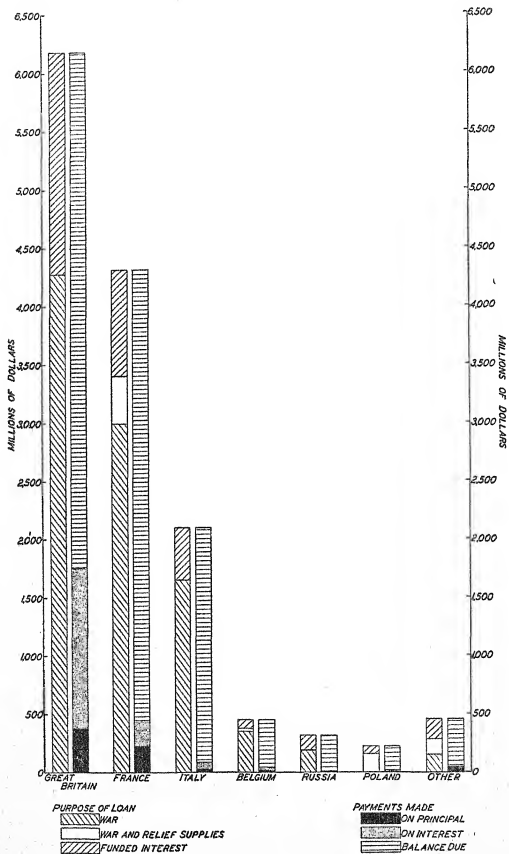
Having determined the total amount that has become due the United States on account of these foreign government obligations, it is now of interest to determine the extent to which this asset actually has been realized upon. This information is given in Table 3.

In this table there is first given the grand total of the accrued obligations as derived and set forth in Table 2. Following this are given the payments that have been received by the United States, these payments being distinguished according to whether they represent a curtailment of the principal of the debt, original and refunded, or interest, the latter being further classified according to whether it represents interest paid prior to refunding or subsequent thereto on the funded obligations. The purpose of the last column is to show the balance still due on account of these obligations on November 15, 1930.

It will be seen from this statement that up to November 15, 1930, the United States has received from its foreign government debtors a grand total of \$2,391,993,341.97. Of this amount only \$673,952,278.28 represents the repayment of principal, the balance, \$1,718,041,063.69 representing interest.

By reference to Table 3 it will be seen that notwithstanding the receipt of this large sum by the United States, there still remains due it a total exceeding by \$1,292,950,-787.34 the original principal of the loans. This results from the fact that so large a part of the interest, instead of being paid, was added to the original principal at the time the obligations were refunded.

If the table is examined for the purpose of determining the obligations of the individual countries and the extent to which they have been paid, it will be found that far the best record of payment has been made by Great Britain,



3. FOREIGN GOVERNMENT OBLIGATIONS: PAYMENTS MADE AND BALANCES DUE

(From Tables 2 and 3)

the first of the foreign government debtors to refund its obligations and to make definite provisions for its repayment. That country has paid the United States in all a total of \$1,751,438,298.67, a sum representing considerably more than half of the total received by the United States from all debtor governments.

German Government: Army of Occupation Costs and Reparations. The definite determination of the amount of money due the United States by Germany as the result of the war and the conditions under which its payment should be made was a matter of scarcely less difficulty than that of the refunding of the indebtedness of the nations allied with us in the prosecution of the war.

The total cost of the United States army of occupation as finally calculated amounted to \$292,663,435.79. Up to May 25, 1923, the United States had been reimbursed for none of this cost except for cash requisitions on the German government for the use of the army of occupation, aggregating \$37,509,605.97, and certain other items, such as provost fines, abandoned enemy war materials, etc., amounting to \$7,288,184.33. On that date the United States and the principal allied powers signed the so-called Wadsworth Agreement, which provided that the United States should be reimbursed for its army of occupation costs in twelve annual installments, the first to be paid on or about December 31, 1923, and that such payments during the first four of the twelve years should be a first charge on the cash payments made by Germany to the allies after the expenses of the Reparation Commission and the current expenses of the allied armies of occupation, and during the last eight years should be an absolute prior charge on all cash payments except for the cost of the Reparation Commission. Although this agreement was never ratified there was, nevertheless, paid to the government of the United States under it, in January, 1925, the sum of \$14,725,154.40.

The Wadsworth Agreement was superseded by the so-called Paris Agreement of January 14, 1925, which was concluded at a meeting of the representatives of the creditor

powers, including the United States, called for the purpose of deciding upon the manner of distribution of the annuities provided for under the terms of the Dawes Plan, which had been adopted in 1924. Under the provisions of this agreement the United States was to receive on account of its army of occupation costs, beginning September 1, 1926, the sum of fifty-five million gold marks, or about \$13,-100,000 per annum, which payments were to constitute a first charge on the cash made available for transfer by the Transfer Committee out of the Dawes annuities after provision had been made for the sums necessary for the service of the German external loan of 1924 and for costs of the Reparation and other commissions. Under the provisions of the Wadsworth Agreement our army costs would have been liquidated by the end of 1935. Under the Paris Agreement the payments would extend over a period of about eighteen years beginning September 1, 1926.

Up to September 1, 1929, the United States received under this agreement payments totalling \$39,203,725.89. Up to this date, therefore, the government had received from Germany on account of its army of occupation costs a total of \$98,726,670.59. This left remaining due as of September 1, 1929, the sum of \$193,936,765.20.

As is well known the Dawes Plan was not intended as a final settlement of the reparations question. In 1928, the principal creditor powers agreed to set up a committee of independent financial experts to have the task of drawing up proposals for the complete and final settlement of this problem. This committee, which was presided over by the American Owen D. Young, evolved the so-called "Young Plan," which was set forth in its report rendered on June 7, 1929, and which called for a considerable scaling down of the annuities provided for under the Dawes Plan. It was felt that the United States, as well as other creditor powers should share in this diminution of the annuities to be paid by Germany, and it was so provided in the plan. This new arrangement, with some modifications, was formally adopted by the representatives of all the interested parties, with the exception of the United States, at a meeting held

at The Hague in January, 1930, and was subsequently formally ratified by Germany and such governments.

Consistent with its general policy of adjusting its relations with Germany by an independent agreement between it and Germany, the United States, as stated, did not formally ratify the Young Plan. Instead, by an act approved June 5, 1930, it authorized the Secretary of the Treasury, with the approval of the President, to conclude an agreement with Germany for the final and definite settlement of the amounts to be paid by Germany in satisfaction of both the army costs remaining unpaid and the awards in favor of the United States and its nationals, made and to be made by the Mixed Claims Commission, United States and Germany, and the manner in which such payments should be made in accordance with provisions set forth in the act. These provisions, which were subsequently embodied in an agreement with Germany entered into in pursuance of this act, provided for the definite determination of the amounts to be paid by Germany for both army of occupation costs and war damage indemnification, and the manner of their payment through annuities running for a fixed period of years.

In respect of army of occupation costs, this agreement provided for a 10 per cent reduction in the amount then due, thus reducing the obligation from \$193,936,760.20 to \$164,670,421.62, and the payment of this latter sum in the form of annuities of varying amounts running from 1930 to 1966. The total of these annuities amounts to about \$249,000,000, or about \$85,000,000 in excess of the amount due when the agreement was entered into. This difference is intended to compensate the United States for the deferment of its payment over a thirty-seven-year period rather than the fifteen-year period provided for under the Paris Agreement and to cover interest at a rate of about $3\frac{5}{8}$ per cent on the deferred payments.²

The Treaty of Peace between Germany and the United States of August 25, 1921, in addition to making provision for the payment by Germany of the army of occupation

² Settlement of Indebtedness of German Reich, Senate Report 733, 70th Cong., 1930.

costs as above set forth, also provided for the payment of all damages inflicted upon the United States government and its nationals by Germany during the war. To determine the amount thus to be paid there was set up a Mixed Claims Commission by virtue of an agreement entered into between the United States and Germany on August 10, 1922. The first meeting of this Commission was held on October 9, 1922. Up to August 31, 1929, awards had been certified to the treasury for payment by Germany, with interest to August 31, 1929, aggregating \$172,703,083.71. It was further estimated that as of August 31, 1929, the principal amount of awards to nationals yet to be entered and certified, together with interest to that date, amounted to \$53,000,000, and in addition awards to the United States government, with interest to August 31, 1929, amounted to \$64,934,794.41. In other words, it was estimated that as of that date, August 31, 1929, the total amount paid and to be paid aggregated with interest \$290,637,878.12.

No provision was made for the payment of the awards of this Mixed Claims Commission until the Paris Agreement of January 14, 1925, above mentioned. This Paris Agreement provided that the United States should receive $2\frac{1}{4}$ per cent of all receipts from Germany on account of the Dawes annuities available for distribution as reparations, provided that the annuities resulting from this percentage should not exceed in any year the sum of 45,000,000 gold marks. Up to September 1, 1929, the United States had received from Germany under this agreement the sum of \$31,831,472.03, which with earnings and profits on investments amounting to \$2,149,692.70 made available for distribution \$33,981,164.73 and left \$256,656,713.39 still to be provided for. It will be noted that these figures necessarily represented only an estimate, since all of the awards had not yet been made by the Mixed Claims Commission.

The agreement made with Germany in pursuance of the act of June 5, 1930, as described in our consideration of army of occupation costs, provided for the liquidation of this sum through the payment by Germany of an annuity

of 40,800,000 reichsmarks (\$9,700,000)³ during each of the fiscal years 1930 to 1931 inclusive, such payments to include both principal and interest. This represents the maximum of the obligations of Germany's since the added provision is made that these payments shall cease "as soon as all of the payments contemplated by the settlement of war claims act of 1928 have been completed and the bonds not then matured evidencing such obligations shall be canceled and returned to Germany."

It should be noted that these payments represent the indemnification by Germany of both the United States government and private citizens of the United States. Thus of the estimated sum determined to be due by Germany on account of these claims as of August 31, 1929, \$290,637,878.12, only \$64,934,794.41 represents the indemnification of the United States government. It is this latter item only that is, therefore, included in the treasury balance sheet.⁴

³ While the annuities are stated in terms of reichsmarks, payments are to be made in dollars either at the treasury or at the Federal Reserve Bank of New York. The exchange value of the mark in relation to the dollar shall be calculated at the average of the middle rates prevailing on the Berlin Bourse during the half-monthly period preceding the date of payment. According to the first payment the reichsmark equals \$0.23861.

⁴ Following is the calculation by which these sums were arrived at, as set forth by the Treasury Department.

Principal of awards certified to treasury for payment.....	\$113,295,478.68	
Interest up to August 31, 1929....	59,407,605.03	\$172,703,083.71
Estimated principal amount of awards yet to be entered and certified	32,000,000.00	
Estimated interest up to Aug. 31, 1929	21,000,000.00	53,000,000.00
Awards to United States Government	42,034,794.41	
Interest up to Aug. 31, 1929.....	22,900,000.00	64,934,794.41
		<u>\$290,637,878.12</u>
Received from Germany up to Aug. 31, 1929	31,831,472.03	
Earnings and profits on investment	2,149,692.70	33,981,164.73
Estimated balance due as of Sept. 1, 1929		<u><u>\$256,656,713.39</u></u>

NATIONAL FINANCE

4. REPAYMENTS OF FOREIGN GOVERNMENT OBLIGATIONS,

Fiscal Year	Principal Outstanding	WAR AND	
		PAYMENTS	
		Interest	
1930.....	\$11,579,465,885.00 ¹	\$1,158,173,125.00 ²	
1931.....	11,164,013,273.00	183,319,405.00	
1932.....	11,115,267,717.00	184,979,000.00	
1933.....	11,053,993,161.00	207,269,285.00	
1934.....	10,980,360,970.00	206,541,621.15	
1935.....	10,890,772,970.65	205,688,932.09	
1936.....	10,795,311,552.24	207,176,741.33	
1937.....	10,688,623,545.57	205,538,139.70	
1938.....	10,565,464,354.77	208,514,458.97	
1939.....	10,435,851,760.74	201,346,632.68	
1940.....	10,311,320,276.94 ³	199,524,346.32	
1941.....	10,163,783,325.21	233,770,354.92	
1942.....	10,045,515,359.63	231,050,037.48	
1943.....	9,916,942,816.61	228,106,148.47	
1944.....	9,817,675,527.65 ⁴	227,913,732.40	
1945.....	9,682,140,364.17	224,650,184.72	
1946.....	9,544,401,281.89	221,752,764.02	
1947.....	9,404,546,718.91	218,620,541.20	
1948.....	9,257,742,655.61	215,278,258.37	
1949.....	9,108,762,581.98	211,899,897.84	
1950.....	8,957,667,487.82	208,488,191.90	
1951.....	8,808,028,852.72	223,185,035.17	
1952.....	8,657,721,468.39	219,502,901.73	
1953.....	8,507,896,563.12	215,700,850.39	
1954.....	8,352,542,236.41	211,744,213.29	
1955.....	8,190,624,227.70	207,839,009.24	
1956.....	8,025,801,394.94	203,633,949.60	
1957.....	7,858,028,192.54	199,371,205.71	
1958.....	7,684,369,148.75	195,407,020.79	
1959.....	7,504,672,842.54	202,400,966.18	
1960.....	7,331,085,496.72	197,692,607.21	
1961.....	7,153,685,921.93	197,067,351.38	
1962.....	6,968,618,191.31	191,890,750.87	
1963.....	6,790,315,880.18	186,664,267.95	
1964.....	6,593,820,021.13	181,197,008.58	
1965.....	6,381,671,057.71	175,580,446.09	
1966.....	6,172,806,796.80	179,179,667.95	
1967.....	5,964,123,627.75	173,057,513.68	
1968.....	5,749,483,714.43	166,771,123.36	
1969.....	5,526,206,070.79	160,237,412.48	
1970.....	5,293,953,238.27	153,418,563.34	
1971.....	5,052,898,066.61	148,917,631.98	
1972.....	4,803,846,713.59	141,454,084.98	
1973.....	4,544,715,603.57	135,096,246.12	
1974.....	4,277,213,229.69	128,672,413.04	
1975.....	4,000,939,102.73	117,379,068.60	
1976.....	3,714,693,636.32	108,774,227.27	
1977.....	3,418,873,033.60	99,884,256.35	
1978.....	3,112,463,199.95	90,673,602.00	
1979.....	2,794,359,576.95	81,128,785.19	
1980.....	2,465,246,072.14	71,248,562.52	
1981.....	2,125,901,909.66	66,059,266.84	
1982.....	1,774,001,506.50	54,816,502.73	
1983.....	1,409,420,339.23	43,174,911.87	
1984.....	1,029,826,866.10	31,037,888.21	
1985.....	642,178,084.31	18,663,932.69	
1986.....	433,253,982.26	12,576,339.38	
1987.....	216,637,786.64	6,262,522.53	
1988.....	1,050,000.00	.....
1989.....	700,000.00	.....
1990.....	350,000.00	.....
Totals.....		\$10,579,819,741.01	

¹ Excludes Armenia, Nicaragua, and Russia, which have no refunding agreements.² Represents total amounts, originally funded.³ Represents total payments on funded debt from dates of funding agreements through 1930.⁴ With reference to the conversion rate of reichsmarks into United States money, the fiscal years 1930-1931 are here converted on the basis of the actual rate applied to the first two payments made by Germany March 31, 1930, (fiscal year 1930) and September 30, 1930, (fiscal year 1931); the rate being, for Mixed Claims 0.23870757124 per reichsmark and for Army Costs 0.2386121252 per reichsmark. For all other fiscal years an approximate conversion rate of 0.23865 has been applied.

FINANCIAL CONDITION

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SCHEDULE OF FUTURE PAYMENTS, ALL DEBTOR COUNTRIES COMBINED¹

RELIEF LOANS		GERMANY: ARMY COSTS AND REPARATIONS	
DUE ON ACCOUNT OF		Grand Total	
Principal	Total Payments	Payments	
\$415,452,612.00 ^a	\$1,573,624,737.00 ^a	\$15,728,433.25 ^a	\$1,589,353,170.25
48,745,556.00	234,064,981.00	15,323,873.11 ^a	249,388,859.11
61,274,556.00	246,253,556.00	15,774,765.00	262,028,321.00
73,632,191.00	280,901,476.00	15,774,765.00	296,676,241.00
89,587,999.35	296,129,620.50	14,175,810.00	310,305,430.00
95,461,418.41	301,150,350.50	14,175,810.00	315,326,160.50
106,688,066.67	313,864,748.00	14,175,810.00	328,040,558.50
123,159,190.80	328,697,330.50	14,175,810.00	342,873,140.50
129,612,594.03	333,127,053.00	13,650,780.00	346,777,833.00
136,305,712.82	337,652,345.50	13,650,780.00	351,303,125.50
147,536,981.73	347,061,298.05	14,175,810.00	361,237,108.05
119,967,965.58	353,733,320.50	14,175,810.00	367,914,130.50
126,872,543.02	357,922,600.50	15,774,765.00	373,697,365.50
128,908,312.03	357,104,460.50	15,774,765.00	372,879,225.50
135,535,163.48	363,448,865.88	15,774,765.00	379,223,630.88
137,739,082.28	362,580,267.00	15,774,765.00	378,354,032.00
139,854,562.98	361,007,327.00	15,774,765.00	377,382,092.00
146,804,063.30	365,424,604.50	15,774,765.00	381,199,369.50
148,980,073.03	364,258,332.00	15,774,765.00	380,033,097.00
151,095,094.16	362,994,902.00	15,774,765.00	378,769,757.00
154,638,635.10	363,126,827.00	18,161,265.00	381,288,092.00
145,307,384.33	368,492,419.50	18,161,265.00	386,653,684.50
149,825,905.27	369,328,807.00	18,161,265.00	387,490,072.00
155,353,326.71	371,054,277.00	18,161,265.00	389,215,542.00
161,918,008.71	373,662,222.00	18,161,265.00	391,823,487.00
164,822,832.76	372,661,902.00	18,161,265.00	390,823,167.00
167,773,202.40	371,407,132.00	18,161,265.00	389,568,417.00
173,659,049.79	373,030,249.50	18,161,265.00	391,191,514.50
179,666,206.21	375,103,327.00	18,161,265.00	393,264,592.00
172,957,345.82	375,388,312.00	18,161,265.00	393,540,577.00
177,999,574.79	375,692,182.00	18,161,265.00	393,853,447.00
185,067,780.62	382,135,082.00	18,161,265.00	400,296,347.00
188,302,311.13	380,193,062.00	18,161,265.00	398,354,327.00
196,495,850.05	383,160,127.00	18,161,265.00	401,321,392.00
201,848,963.42	383,036,567.00	18,161,265.00	401,197,832.00
209,164,260.91	384,724,707.00	18,161,265.00	402,885,972.00
206,683,169.05	387,859,337.00	18,161,265.00	406,021,102.00
214,639,013.32	387,697,427.00	9,736,920.00	397,434,347.00
223,277,843.64	390,043,767.00	9,736,920.00	399,785,687.00
232,252,832.52	392,490,245.00	9,736,920.00	402,227,165.00
241,055,181.66	394,473,745.00	9,736,920.00	404,210,665.00
249,351,343.02	398,268,975.00	9,736,920.00	408,005,895.00
258,831,110.02	400,285,195.00	9,736,920.00	410,022,115.00
267,502,373.88	401,198,620.00	9,736,920.00	410,935,540.00
276,274,126.96	401,940,540.00	9,736,920.00	411,683,460.00
286,245,406.40	403,624,535.00	9,736,920.00	413,361,455.00
295,320,597.73	404,594,325.00	9,736,920.00	414,331,745.00
306,409,838.65	406,294,095.00	9,736,920.00	416,031,015.00
318,103,623.00	408,777,285.00	9,736,920.00	418,514,205.00
329,113,504.81	410,242,290.00	9,736,920.00	419,979,210.00
339,344,162.48	416,592,725.00	9,736,920.00	420,329,645.00
351,900,402.16	417,950,670.00	9,736,920.00	427,696,590.00
364,581,167.27	419,397,670.00	.....	419,397,670.00
379,593,533.13	422,768,445.00	.....	422,768,445.00
387,648,721.79	418,686,610.00	.....	418,686,610.00
208,924,102.05	227,588,065.00	.....	227,588,065.00
216,616,195.62	229,191,535.00	.....	229,191,535.00
215,587,786.64	221,850,309.17	.....	221,850,309.17
350,000.00	350,000.00	.....	350,000.00
350,000.00	350,000.00	.....	350,000.00
350,000.00	350,000.00	.....	350,000.00
\$11,620,881,137.00 ^b	\$22,200,700,878.10	\$756,451,686.36 ^b	\$22,957,152,564.46

^a Includes \$11,774,229.02 deferred interest of Roumania, to be refunded into principal in 1940.^b Includes \$29,641,023.07 deferred interest of Czechoslovakia, to be refunded into principal in 1944.

^c The original amount refunded by all debtor countries was \$11,579,465,885.00. The excess of principal payments received as here indicated is due to the refunding of deferred interest payments of Roumania, \$11,774,229.02 in 1940 and Czechoslovakia \$29,641,023.07 in 1944. (\$11,579,465,885.00 + \$11,774,229.02 + \$29,641,023.07 = \$11,620,881,137.00.)

^d Represents \$500,324,537.82 War Damage Indemnities (Mixed Claims) and \$250,127,145.54 Army Costs.

Schedule of Future Payments. It has been pointed out that all of the debtor governments, with the exception of Armenia and Russia, whose obligations may for all practical purposes be disregarded, have now refunded their obligations, and in so doing made provision for their repayment according to definite schedule of annual payments running over a long period of years, the last payment to be made in 1990. The payments called for by these annuities, so long as the obligations to make payment are faithfully observed, will represent an important source of income to the national government for years to come. It is a matter of no little interest, therefore, to determine and set forth the amount of these prospective payments. In Table 4 all of these annual payments by the several debtor governments are consolidated into a single schedule for the purpose of making known the total amount that the United States government should receive from all of these debtor governments combined each year until the final extinguishment of the combined debt. In this statement there is shown for each year the principal outstanding and the payments due on account of interest and principal separately and combined. The distinction that is made between payments due on account of principal and on account of interest is of interest not only in itself but also because, as is elsewhere pointed out in our consideration of the public debt, the provision has been made that all payments on account of the principal of foreign government obligations for war and relief loans must be devoted to the reduction of the debt contracted for the prosecution of the late war, while receipts on account of interest are not to be so applied unless they happen to be made in the form of United States bonds or notes, the option being given to the debtor governments to make payments in this way if they so elect.

It will be seen from this table that during the fiscal year 1931 the United States government should receive from these debtor governments a total of \$234,064,961; that this annual payment will gradually increase until 1935, when

it will amount to slightly over \$300,000,000; that thereafter the total will, not uniformly, but in general, slowly increase until it amounts to something over \$350,000,000 in 1941 and to slightly over \$400,000,000 in 1973. The largest payment to be made is for the year 1983. Thereafter the annuity will diminish rapidly, the payments for the last three years, 1988, 1989, and 1990, being for only \$350,000. Generally speaking, the bulk of the annuities during the earlier years will be for payments on account of interest. In the later years this situation will be reversed, although it is not until the year 1963 that payment on account of principal will exceed that on account of interest.

The grand total of the payments to be made during this entire period, 1931-1990, amounts to \$22,200,700,878.10. It is, of course, a matter of vast significance that the payment of this sum is spread over so long a period of years. The present value, of course, would be vastly less than this, the extent of which would be determined by the rate of interest taken as a basis for making the calculation. In considering the whole question from the standpoint of the extent to which the United States has demanded the repayment of the advances made by it, this fact should never be lost sight of, since the total, large as it is, represents probably a repayment of only about half of the obligations had interest on all deferred payments been calculated at the ordinary commercial rate or that which these governments are required to pay on their other obligations. To state this in another way, two methods of favoring the debtor governments were open. One was to scale down the principal of the obligations and require a full commercial interest to be paid on such reduced obligations or to continue in force the original principal while requiring its payment to be made only in installments running over a long period of years and at a rate of interest below that current. As has been pointed out, the latter alternative was adopted. From the financial standpoint, it would not have been different, however, had the refunding of these

debts been made upon the first basis, and had this alternative been adopted it would have meant, as has been stated, a scaling down of the obligations by approximately half.⁵

⁵ This whole subject of the indebtedness of the nations allied with us in the prosecution of the World War has given rise to a vast amount of discussion and the publication of a large number of books and articles dealing with the economic and moral factors involved in the demand by the United States for its payment. The history of the movement for the funding of the indebtedness is fully set forth in the annual reports of the Secretary of the Treasury, in the hearings before the committees of Congress on the bills for the ratification of the funding agreements, in the reports of these committees on such bills, and in the debates on these bills as reported in the Congressional Record. Among privately published works on the subject, the reader is especially referred to the volume "World War Debt Settlements" by Harold G. Moulton and Leo Pasvolksy, Publications of the Institute of Economics, 1926, and "The Inter-Ally Debts and the United States," National Industrial Conference Board, 1925. For further references, see "War Debt Problems, with Special Reference to France," mimeographed ms., Carnegie Endowment for International Peace, Library Reading List No. 10, February 17, 1927.

CHAPTER III

SECURITIES OF SUBSIDIARY CORPORATIONS

Next in importance to the foreign government obligations among the treasury assets are the securities of subsidiary corporations. It is not until these securities are listed in one place, as is done in the treasury balance sheet (Table 1), that appreciation can be had of the extent to which the national government has adopted the policy of making investments of this character.

The motives leading to the employment of public funds in this way have varied. In at least one case, that of the Panama Railroad Company, the government secured the securities as an incidental feature of acquiring the rights of the old French company in respect to the construction of a canal at the Isthmus of Panama. In other cases, as in that of the Federal Land banks and Federal Intermediate Credit banks, securities were purchased by the government as a means of insuring the prompt creation and effective operation of institutions believed to be of importance to the public welfare. In still other cases, as in regard to most of the other corporations that have been listed, the acquisition of these securities represented merely the method of financing what were in effect purely governmental services.

The adoption of the policy of setting up subsidiary corporations, the entire stock of which was to be subscribed for and owned by the government, dates from the war, and was resorted to as the most effective means of insuring that certain transportation and industrial enterprises needed for the effective prosecution of the war would be undertaken and prosecuted on an adequate scale.¹ The

¹ For a consideration of this whole policy of the creation of subsidiary corporations for the conduct of special business enterprises by the government, see the author's article "The National Government as a Holding Corporation: The Question of Subsidiary Budgets," *Political Science Quarterly*, December, 1917, and reprinted in the author's

advantages of such an organization have been such that it has been followed in subsequent action. The Inland Waterways Service, conducted by the War Department, was thus reorganized as a separate corporation. The bill that passed Congress at the last session of the Seventy-first Congress in relation to the Muscle Shoals project, which failed to go into effect as the result of the pocket veto of the President, likewise provided for the setting up of a corporation of this character to operate that enterprise.

Upon examination of the treasury balance sheet with a view to determining the actual amount of this class of treasury assets and the changes that have taken place in respect to their character and amount during the period covered by this study, it will be seen that the total of these securities of subsidiary corporations held by the treasury on June 30, 1921, amounted to \$458,286,051.57. This total was slightly increased during the following year, due to an increase of something over \$90,000,000 in respect to the War Finance Corporation. Generally speaking, however, the tendency has been for these securities to be progressively realized upon. Many of the securities were those of corporations set up for the prosecution of the war, which it was the policy of the government to liquidate as rapidly as possible. For example, it will be seen that while the government held on June 30, 1921, the bonds of the Federal Land banks to the amount of \$183,035,000, this asset was rapidly realized upon, with the result that by 1927 it had been entirely liquidated. In like manner the investment of the government in the stock of these banks, which was \$6,700,675, has been progressively diminished until on June 30, 1930, it amounted to only \$292,519.25. The only security that has shown an increase during this period has been that representing the stock of the Inland Waterways Corporation. Prior to 1925 the enterprise was carried on as a subdivision of the War Department. It was not until 1925, when this service was transformed into a corporation, that

volume "The Problem of a National Budget," Institute for Government Research, Studies in Administration, 1918; and Harold Archer Van Dorn, "Government Owned Corporations," 1926.

it figures in the list of treasury assets. In order that the enterprise might be carried on on an enlarged scale the capitalization of the company was progressively increased, first from \$1,500,000 to \$4,000,000 in 1927; \$5,000,000 in 1928; \$7,500,000 in 1929, and \$9,000,000 in 1930. Taking all of this group of assets combined, it will be seen that there has been a reduction in their total value from \$458,286,051.57 in 1921 to \$93,862,399.65 in 1930. It is almost certain that this movement for the realization upon the treasury assets of this character will continue and that they will all disappear from the balance sheet, with the exception of the stock of the Panama Railroad Company and that of the Inland Waterways Corporation, and it is quite within the realm of possibility that the latter enterprise will be discontinued as a governmental undertaking through sale to private companies.

On the other hand, it may well happen that the government, following the action taken by it in the case of the Inland Waterways Service, will adopt the policy of providing for the operation of certain or all its special business enterprises through corporations set up on the model of the Merchant Fleet Corporation or Inland Waterways Corporation. Should it do so their securities would thus find a place on the treasury balance sheet. Enterprises to which this scheme of organization might be applied are the Postal Service, the Panama Canal, the Alaska Railroad and the Muscle Shoals and Hoover Dam projects if the decision is reached to have them operated directly as government enterprises.

CHAPTER IV

LOANS

The third class of capital assets listed in the treasury balance sheet is that of loans. These include all those cases where public moneys have been loaned to private corporations or individuals for the purpose of promoting work believed to be in the interest of the public welfare or to grant temporary aid to individuals in distress as the result of conditions over which they had little or no control. The use of public funds in this way represents a significant departure from past policies in respect to the field of activities of the national government. With this departure once initiated there seems to be every indication that it may receive extension in the future, and there is more than the possibility that it may become one of the settled policies of the government to seek to promote the public welfare in this way. As will be seen from the balance sheet, four classes of loans of this character have been made, those to railroads in order to assist them in financing their capital outlays and operations; those to private shipbuilding firms as an inducement to them to make additions to the merchant marine, which loans are made through the Shipping Board; those made to certain agricultural corporations through the Federal Farm Board, and those made to farmers to enable them to purchase seed and feed and to carry on until crops and livestock can be realized upon. Following is a brief statement regarding the circumstances under which the making of these loans was undertaken and the general conditions under which the loans are made and their repayments required.

Railroad Obligations. The Army appropriation act of August 29, 1916, expressly authorized the President to take over and operate the railroad system of the country if, in his opinion, such action was necessary for national defense.

In pursuance of this authorization the President, by proclamation dated December 26, 1917, directed the taking over and operation of the roads on January 1, 1918. On March 21, 1918, Congress passed the so-called Federal Control Act, providing for the handling of the many matters arising out of the assumption of federal control of the railroads. Among the provisions of this act was one authorizing the financing of individual roads through the purchase by the government of their securities. On February 28, 1920, Congress passed the Transportation Act, directing the return of the roads to their owners and providing for the adjustment of the matters involved in making the transfer. Among the provisions of this act was one directing the purchase by the government of securities of the roads in order to enable them to make necessary capital outlays and to meet their obligations during the transition period.

In pursuance of these several provisions of law the government advanced to the railroads, taking in return therefor their 6 per cent interest-bearing securities, the amount of \$985,094,063. Of this large sum \$930,301,788.13 has been realized upon by the government, either through the repayment of the obligations by the roads themselves or by the sale of the securities to the general public, with the result that there remained outstanding on June 30, 1930, only \$54,792,274.87.

The Secretary of the Treasury, in his annual report for 1930, states that of this balance remaining due it is quite possible that the government may be able to collect only one-half, some of the carriers owing the obligations being already in the hands of receivers and others being confronted with such financial difficulties as to make it more than probable that they will not be able to meet their obligations to the government in full.

Shipping Board Construction Loan Fund. As a means of promoting the development of a merchant marine under private ownership and operation the Merchant Marine Act of June 5, 1920, authorized the setting up, under the administration of the Shipping Board, of a Construction

Loan Fund, the money standing to the credit of which should be loaned to individuals and corporations for the construction of vessels to be operated as a part of the American merchant marine.

This fund, the act provided, should be derived from the sales receipts and operating revenues of the Shipping Board in an amount not to exceed \$25,000,000 per annum during a period of five years, thus making possible the creation of a fund of \$125,000,000.

On June 6, 1924, this act was amended so as to make possible the use of the funds for the outfitting and equipment of vessels already built with modern, efficient, and economical engines, machinery, and commercial appliances.

By act of March 4, 1927 it was provided that the time limit of five years within which the \$125,000,000 for the fund was to be accumulated might be set aside and that the fund should operate as a revolving fund, and further provisions were made regarding the repayment of the loans made from the fund.

The Merchant Marine Act of May 22, 1928, authorized the appropriation of money which together with the payments made to it in pursuance of existing provisions of law by the Shipping Board would bring the loan fund up to a total of \$250,000,000. The provisions governing the financial operations of this fund read as follows (Section 302):

(a) There is authorized to be appropriated, to be credited to and for the purposes of the construction loan fund created by section 11 of the Merchant Marine Act, 1920, as amended, such amounts as will, when added to the amounts credited to such fund by the United States Shipping Board under authority of law (exclusive of repayments on loans from the fund), make the aggregate of the amounts credited to such fund (exclusive of such repayments) equal to \$250,000,000.

(b) When \$250,000,000 has been credited to such fund (whether by the board under authority of law or from appropriations authorized by this section, but exclusive of repayments on loans from the fund) then no further sums (except such repayments) shall be credited by the board to such fund.

(c) The construction loan fund shall continue to be a revolving fund. Repayments on loans from the fund shall be credited to the fund, but interest on such loans shall be covered into the treasury as miscellaneous receipts.

With respect to the conditions under which loans might be granted the act of 1928 provides that such loans may be made in amounts up to three-fourths the cost of the vessel proposed to be constructed or up to three-fourths of the reconditioning cost of a vessel already built; that the rate of interest in the case of inactive vessels and those operated exclusively in coastwise trade should be not less than $5\frac{1}{4}$ per cent; that in the case of vessels operated in the foreign trade the interest rate must be "the lowest rate of yield (to the nearest one-eighth of 1 per centum) of any government obligation bearing a date of issue subsequent to April 6, 1917 (except postal-savings bonds) and outstanding at the time the loan is made by the board," and that such loans should be repaid within twenty years, with the further proviso that if not repaid within two years the principal should be payable in equal annual installments.

It will be noted, by consulting the treasury balance sheet, that operations under these provisions were on a comparatively small scale during the earlier years, but have progressively become more important, the net total in the amount of loans outstanding increasing from \$19,478,428.32 on June 30, 1929, to \$38,500,667.65 on June 30, 1930. It is highly probable that this asset will become one of increasing importance in the future.

Federal Farm Board Loan Fund. The Agricultural Marketing Act of June 15, 1929, creating the Federal Farm Board, provided for the setting up of a revolving fund to the amount of \$500,000,000 as appropriations therefor might be made by Congress, the money standing to the credit of which should be used by the Federal Farm Board for the granting of loans to coöperative associations and stabilization corporations for purposes, and subject to limitations, set forth in the act. In respect to the financial operations of this fund the act provided (Section 8):

(a) Loans to any coöperative association or stabilization corporation and advances for insurance purposes shall bear interest at a rate of interest per annum equal to the lowest rate of yield (to the nearest one-eighth of 1 per centum) of any Government obligation bearing a date of issue subsequent to April 6, 1917 (except postal-savings bonds), and outstanding at the time the loan agreement is entered into or the advance is made by the board, as certified by the Secretary of the Treasury to the board upon its request: *Provided*, That in no case shall the rate exceed 4 per centum per per annum on the unpaid principal.

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund.

(c) Loans to any coöperative association or stabilization corporation shall be made upon the terms specified in this Act and upon such other terms not inconsistent therewith and upon such security as the board deems necessary.

(d) No loan or insurance agreement shall be made by the board if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements.

Three days after the passage of this act, on June 18, 1929, Congress passed a special appropriation act which, in addition to making provision for meeting the administrative expenses of the Federal Farm Board, provided for the payment to this loan fund of \$150,000,000. By the first deficiency appropriation act of March 26, 1930, a further appropriation of \$100,000,000 was made to this fund, bringing it to a total of \$250,000,000.

Though no loans were made from this fund prior to June 30, 1930, it was thought desirable to make mention of it in the treasury balance sheet as an item likely to become one of considerable importance in the future.

Farmers' Feed, Seed, and Relief Loans. Throughout the period covered by this study the government has pursued the policy of from time to time appropriating money to be loaned to farmers in distress as the result of drought or flood, to be used by them primarily for the purchase of seed and feed to enable them to continue operations until a new

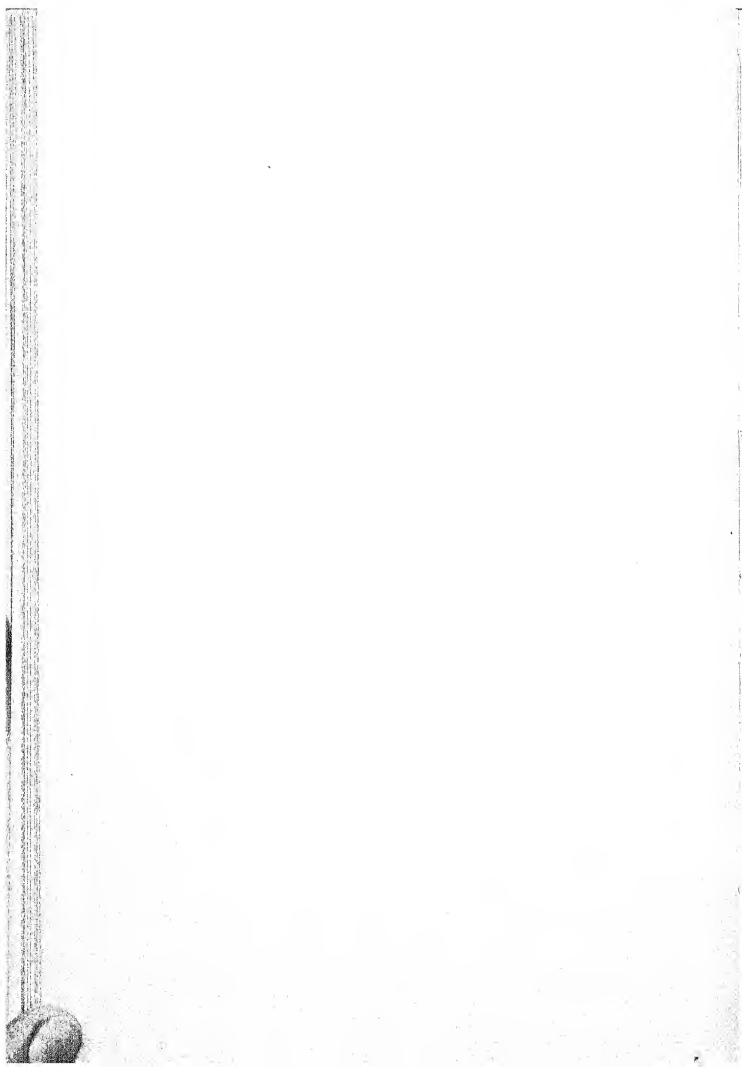
crop or other receipts are in hand.¹ The administration of the system is vested in the Secretary of Agriculture.

Although this item is stated, for information purposes, in the treasury balance sheet, no indication of the amount of such loans outstanding has been given, due to the fact that, apparently, no security for the loans other than the crops to be produced was taken by the Secretary of Agriculture, that, in at least one case, Congress has provided by law for relieving the farmers of making repayment under certain conditions, and that neither the published statements of the Secretary of Agriculture nor the reports of the Secretary of the Treasury give the exact amount of such loans outstanding.²

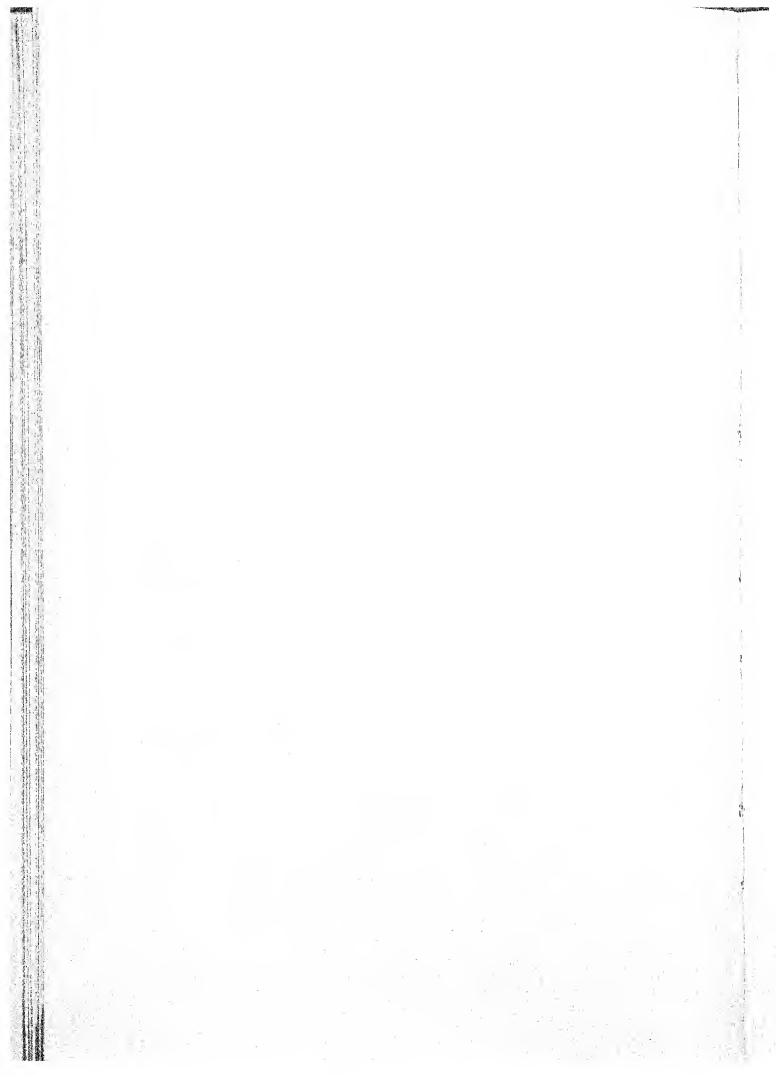
¹ Seed Grain Loans

Act of March 3, 1921.....	\$2,000,000
Act of March 20, 1922.....	1,500,000
Seed and Feed Loans, New Mexico	
Act of April 26, 1924.....	1,000,000
Flood and Drought Relief	
Act of February 25, 1929.....	6,000,000
Act of March 3, 1930.....	7,000,000

² For a description of the system and its administration, see letter of Director of Extension Work to Representative William B. Bankhead, Congressional Record, December 20, 1930.



PART II
OPERATING STATEMENT



CHAPTER V

FEDERAL RECEIPTS AND DISBURSEMENTS CLASSIFIED BY BENEFICIARY

Next in importance to ascertaining the financial condition of an enterprise and the nature of its assets and liabilities, is the determination of the results of its operations during the year or period of years which it is desired to survey. In commercial enterprises the statement employed for this purpose is the profit and loss statement or, to use a shorter term, the operating statement. In this statement, which is usually of a summary character, the enterprise's total income during the period, classified by main categories, is balanced against its total expenditures, likewise classified by main heads, during the same period, in such a way as to produce a figure representing the net results of the enterprise's operations during the period in the form of an excess of income over expenditures, or the reverse.

While governments are not operated for the purpose of realizing a profit, it is none the less desirable that there should be prepared for each a statement, analogous to the profit and loss statement of a commercial enterprise, which will reveal the extent to which the operations of the period have resulted in an excess of income over expenditures, with a corresponding improvement of its financial condition, or the reverse.

Unfortunately, the preparation of such an operating statement for a government presents difficulties which are not usually present in the case of private undertakings. As has been pointed out in Part I, the national government, in common with most governments, takes in large sums of money which do not in any way constitute real additions to its income, properly speaking. Such, for example, are the moneys received by it while acting in a trustee capacity, in carrying through refunding operations, in collecting in a tenta-

tive way customs and internal revenue receipts which afterwards are refunded, etc. In seeking to secure accurate information regarding its financial operations the first thing to be done is to eliminate from the showing all items of receipts which do not constitute a part of the real income of the government, to deduct refunds from tax receipts in order to show the latter upon a net basis, to balance the receipts and expenditures of special business enterprises against each other in order to show the net results of the operations of the enterprises as affecting the General Fund

5. RECEIPTS AND DISBURSEMENTS,

	1921	1922	1923	1924
1. Receipts				
1. Federal income.....	\$5,465,821,943.96	\$4,088,919,997.36	\$3,567,480,062.46	\$3,651,798,692.83
2. District of Columbia, revenues....	15,795,317.03	16,354,984.92	18,720,086.74	18,495,301.49
3. Trust funds.....	64,347,479.21	71,093,553.36	89,880,224.04	91,686,157.40
Total Receipts.....	\$5,545,964,740.20	\$4,176,368,535.64	\$3,676,089,373.24	\$3,761,980,151.72
2. Disbursements				
1. Federal expenditures.....	\$4,770,027,159.39	\$4,120,420,064.29	\$3,586,604,898.43	\$3,816,075,161.18
2. District of Columbia, revenues....	15,235,696.82	14,839,461.18	15,082,465.74	17,043,979.91
3. Trust funds.....	62,649,552.52	75,271,699.70	83,980,935.62	92,844,168.69
Total Disbursements.....	\$4,847,913,408.73	\$4,210,522,225.17	\$3,685,614,289.79	\$3,925,963,249.68

¹ No real purpose is accomplished by stating a total for receipts and disbursements classified by beneficiary for the following reasons:

1. Appropriations from the General Fund made for the benefit of government trust funds, such as the Adjusted Service Certificate Fund, Civil Service Retirement Fund, and Foreign Service Retirement Fund, have been correctly included as Federal Expenditures.
2. The total of such appropriations have been taken up as receipts in stating receipts of these trust funds.

of the treasury and consequently the burden imposed upon or relief given to the taxpayer and to handle other items as set forth in Chapter I. If this is done the result will show the real income of the government as distinguished from its receipts and its real expenditures as distinguished from its disbursements.

These several steps have been taken in respect to the receipts and expenditures of the national government for the ten-year period covered by this study and the result is shown in Table 5.¹

¹ It is hardly necessary to state that the effecting of these operations has been a matter of great difficulty and has required a large amount of careful work. And it is quite possible that in a few minor cases a complete segregation of the items has not been secured. For all practical purposes, however, the showing made of the real income of the government is, it is believed, one that very closely approximates accounting accuracy.

This statement has no significance except as furnishing the means through which a segregation is secured of federal income and federal expenditures, properly speaking, and thus producing totals which may be subjected to the analyses that follow. Though the statement shows the totals of the receipts and expenditures represented by the three classes of receipts and expenditures: federal, District of Columbia, and trust funds, such totals do not correspond to any totals of receipts and disbursements given in the official financial reports; this for a number of reasons. In the

CLASSIFIED BY BENEFICIARY¹

1925	1926	1927	1928	1929	1930
\$3,043,839,130.73	\$3,599,844,459.94	\$3,835,283,535.57	\$3,686,094,521.11	\$3,715,129,382.97	\$3,846,010,584.30
21,779,403.17	26,849,227.92	30,539,186.85	32,778,483.63	33,530,283.17	35,194,596.45
201,177,098.34	226,111,166.85	251,534,780.43	257,669,881.50	279,931,005.68	285,545,980.63
\$4,166,795,632.24	\$3,843,304,854.71	\$4,117,357,502.85	\$3,976,482,886.24	\$4,028,590,741.82	\$4,166,751,161.38
\$3,541,206,477.29	\$3,578,700,677.52	\$3,844,137,219.67	\$3,670,469,864.45	\$3,591,325,810.56	\$3,846,805,140.20
24,066,457.84	25,816,296.30	23,858,943.89	30,913,540.19	31,619,744.75	36,596,319.80
195,126,715.86	233,973,593.02	234,247,850.73	249,734,394.01	260,573,073.14	291,709,264.66
\$3,760,399,650.99	\$3,838,490,566.84	\$4,106,245,014.29	\$3,961,117,798.65	\$3,883,518,628.45	\$4,174,904,723.66

3. The total of expenditures for such trust funds has been stated, including the investment of the appropriations made from the General Fund.

It will be seen, therefore, from the above facts, that by combining the totals of Federal and Trust Fund receipts, and Federal and Trust Fund expenditures, a duplication of both receipts and expenditures results to the extent of the totals of such appropriations made for the benefit of these funds.

first place, as has been pointed out, the items Federal Income and Federal Expenditures represent the net, rather than the gross, income and expenditures of the government as the result of deducting customs and internal revenue refunds from gross receipts from these sources and eliminating such payments from expenditures, and showing the operations of special business enterprises upon a net basis. And, secondly, while payments from the General Fund, in pursuance of appropriations to the government trust funds, such as the Adjusted Service Certificate Fund, the Civil Service Retirement Fund, and the Foreign Service Retirement Fund, have been correctly included among Federal Expenditures, these payments also figure among the receipts of Trust Funds, and the expenditures of the latter funds include the investments of these payments, with the result

that the total receipts and total expenditures given embrace a duplication to the extent of the totals of such payments made to these funds.

This is the only statement contained in this study where any account is taken of District of Columbia and trust fund receipts and expenditures. All subsequent statements will be devoted wholly to subjecting the totals here given of federal income and expenditures to analysis for the purpose of making known the character of the items entering into them and their relative significance.

CHAPTER VI

FEDERAL INCOME AND EXPENDITURES CLASSIFIED BY CHARACTER AND COMPARED

Having carefully segregated federal income and expenditures from other receipts and disbursements we are now in a position to analyze and bring them into comparison for the purpose of determining the net results of the operations of each of the years covered. This is done in Table 6.

In preparing this statement, a careful distinction has been made between "revenue" and "non-revenue" income, and between "governmental" costs and "non-governmental" costs expenditures. The importance of making these distinctions is scarcely second to that of distinguishing between federal income and receipts and between federal expenditures and disbursements. There is manifestly a fundamental difference between the income received by a government in the form of taxes and other public dues and that resulting from borrowing, the sale of investments, or the realization upon treasury assets in any other way. The first represents a net addition to the assets of the government; the latter, a setting up of a corresponding obligation or a conversion of assets from one form to another. In like manner there is evidently a fundamental difference between the expenditures made by the government in carrying on its operations and in performing the services undertaken by it, and those representing disbursements made by it in improving its capital position through the reduction of debt or the investment of its funds in interest-bearing securities.

This distinction between revenue and non-revenue income, important in any undertaking, public or private, is especially desirable in the case of the national government due to the fact, as has been brought out in our consideration of treasury assets and liabilities, that the national government found itself, as the result of the financial operations growing out of the war, in the possession of realizable assets

running into the billions of dollars. It is manifestly a matter of importance to determine the extent to which it is meeting its financial obligations out of its current income, through a realization upon such assets, or through borrowing. In the same way it is manifestly important to know that part of the government's expenditures which is devoted to meeting current costs and that part which is devoted to improving its financial condition through the payment of debt or the making of investments.¹

Another distinction that it has been thought worth while to make is that between "general revenue" and governmental costs and the "net revenue" or government cost resulting from the operation of special business enterprises. Though provision is made on the income side of the statement for the item Special Business Enterprises, no figures are given, since, though certain special business enterprises, such as the Panama Canal, produced an income in excess of expenditures, the operation of all the special business enterprises, taken collectively, has resulted in an excess of expenditures over income, which excess is consequently shown in the statement of expenditures. It should be noted, furthermore, that even if an enterprise, or all special business enterprises taken together, produce an excess of income

¹ It will be noted that the distinction here made is analogous to that made in ordinary commercial accounting between current expenses and capital outlay. It departs from that distinction, however, in that governmental costs include all the expenditures made by the government in conducting its operations, regardless of whether such expenditures are for current operation or the acquisition of plant and other fixed assets needed by it in the performance of its work, and that non-governmental costs include only expenditures made affecting directly treasury assets and liabilities as distinguished from the assets and liabilities of the government as a whole. It would be desirable further to analyze governmental costs so as to make the distinction between "expense" and "capital outlay." Unfortunately the national government, and this is true of most governments, does not keep its accounts in such a manner as to permit this being done. The leading example of such a government is Hawaii, which has a new accounting system corresponding to the most approved principles of accountancy. For a description of this system, see Henry P. Seidemann, *Manual of Accounting, Reporting and Business Procedure for the Territorial Government of Hawaii*. Institute for Government Research, Studies in Administration, 1928.

over expenditures, such excess would not be considered in preparing these general statements of total income unless it were actually covered into the General Fund of the treasury. So long as these excesses are retained by the enterprises producing them and used in the form of capital outlays to extend their physical plant or equipment, or as additions to their working capital, they do not affect the General Fund of the treasury. The figures given in this and other statements of the income and expenditures of the government thus furnish no information regarding the financial results of the operations of the enterprises except as such operations resulted in payments of surplus earnings into the General Fund of the treasury or drafts upon such fund to meet operating deficits or additional capital outlays.

It is hardly necessary to point out the value of this showing. It furnishes in a way that has never been done before information regarding the real income and expenditures of the government, as stripped of all extraneous agency transactions, and distinguishes clearly between that part of the income that consists of revenue proper and that part derived from the realization upon assets and that part of the expenditures going for the support of the government and the conduct of its various activities, and that having for its purpose to retire debt or acquire new treasury assets.

Turning our attention, first, to the income side of this account, it will be seen that, taking the ten-year period as a whole, a great reduction in total income has taken place, this reduction being from \$5,465,821,943.96 in 1921 to \$3,846,010,584.80 in 1930. The greater part of this reduction took place in the years 1922 and 1923, the income for 1922 showing a drop of \$1,376,901,946.60 to \$4,088,919,997.36, and that for 1923 a further drop of \$521,439,934.90 to \$3,567,480,062.46. This reduction was due primarily to the passage of the revenue act of 1921, which the Secretary of the Treasury estimated provided for a reduction in income and profits taxes of approximately \$410,000,000 and in other taxes of approximately \$425,000,000, though there was

during these two years a material diminution from non-revenue sources, that is, realization upon assets, the reduction being from \$383,009,872.27 in 1921, to \$378,057,755.17 in 1922, and to \$202,817,511.59 in 1923.

In some respects the most significant feature of this showing is that, notwithstanding repeated further reductions in

G. FEDERAL INCOME AND EXPENDITURES,

	1921	1922	1923	1924
1. Federal Income				
1. Revenues				
1. General.....	\$5,082,812,071.69	\$3,710,862,242.19	\$3,364,662,550.87	\$3,447,669,292.98
2. Special business enterprises, Operations ¹				
Total Revenues.....	5,082,812,071.69	3,710,862,242.19	3,364,662,550.87	3,447,669,292.98
2. Non-Revenues.....	383,009,872.27	378,057,755.17	202,817,511.59	204,129,399.85
Total Federal Income.....	\$5,465,821,943.96	\$4,088,919,997.36	\$3,567,480,062.46	\$3,651,798,692.83
2. Federal Expenditures				
1. Governmental costs				
1. General.....	\$3,263,710,210.61	\$2,979,944,812.22	\$2,840,899,187.02	\$2,646,483,912.51
2. Special business enterprises, Operations ¹	642,388,593.13	184,939,635.64	98,054,006.50	45,335,870.66
Total Governmental Costs.....	3,906,098,803.74	3,164,884,447.86	2,938,954,093.61	2,691,819,783.17
2. Non-Governmental Costs.....	863,928,355.65	955,535,616.43	647,740,804.82	1,124,255,378.01
Total Federal Expenditures....	\$4,770,027,159.39	\$4,120,420,064.29	\$3,586,694,898.43	\$3,816,075,161.18
3. Comparison of Federal Income and Expenditures				
1. Excess, Revenues over Governmental Costs.....	\$1,176,713,267.95	\$545,577,794.33	\$425,708,457.26	\$755,849,509.81
2. Deficit, Non-Revenues over Non-Governmental Costs.....	-480,918,483.38	-577,477,861.26	-444,923,293.23	-920,125,978.16
3. Excess or Deficit, Total Federal Income over Total Federal Expenditures.....	-\$695,794,784.57	-\$31,500,066.93	-\$19,214,835.97	-\$164,276,467.35

¹ The result of operating all Special Business Enterprises taken together reflects an excess of expenditures for all years and is therefore included in the statement of expenditures only.

² The abnormal excess of non-revenue income in this particular fiscal year is due to the procedure employed in handling the special deposit account of the War Finance Corporation. The deposits to this account are not here treated as receipts in the fiscal year in which such deposits were made, inasmuch as the balance of this account is used by the treasury as an offset to the capital stock of that

tax rates and the entire repeal of other taxes, the income of the government has shown a tendency gradually to increase, the income for 1930 being \$3,846,010,584.30 as against \$3,567,480,062.46 in 1923. This increase, moreover, has been due wholly to the increased yield of revenues, the returns from realization upon assets showing a material drop especially during 1929 and 1930. It would appear, therefore, that the loss of revenue resulting from reductions in tax rates and repeal of minor taxes has been more than com-

OPERATING STATEMENT

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pensated by increased yields from the lower rates, and the increase in the general prosperity of the country.

Turning now to the other side of the account, attention should be directed to the movement of governmental costs rather than total expenditures, since the latter includes the large payments for reduction of debt and the making of

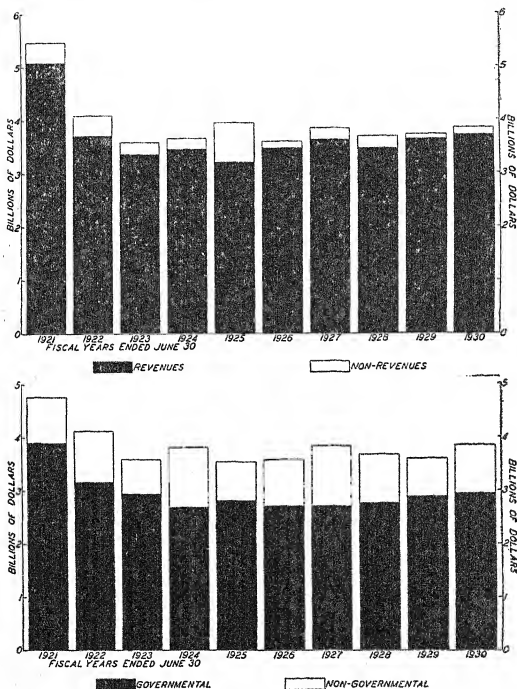
CLASSIFIED BY CHARACTER

1925	1926	1927	1928	1929	1930
\$3,214,918,724.81	\$3,468,919,300.23	\$3,630,217,518.08	\$3,462,184,232.75	\$3,639,809,490.08	\$3,718,236,243.91
3,214,918,724.81	3,468,919,300.23	3,630,217,518.08	3,462,184,232.75	3,639,809,490.08	3,718,236,243.91
728,920,405.92	121,425,159.71	205,066,017.49	223,850,288.36	75,319,892.89	127,774,340.39
\$3,943,839,130.73	\$3,590,344,459.94	\$3,835,283,535.57	\$3,686,034,521.11	\$3,715,129,382.97	\$3,846,010,584.30
\$2,726,721,865.21	\$2,656,809,385.06	\$2,676,510,044.68	\$2,716,608,010.62	\$2,754,506,506.98	\$2,846,523,220.27
78,365,510.49	48,913,718.75	32,817,791.65	45,248,123.41	132,166,901.13	98,067,135.25
2,805,087,375.70	2,705,723,104.81	2,709,327,836.33	2,761,856,134.03	2,886,673,408.11	2,944,600,355.53
736,119,101.59	872,977,572.71	1,134,809,383.34	908,613,730.42	704,652,402.45	902,014,793.67
\$3,541,206,477.29	\$3,578,700,677.52	\$3,844,137,219.67	\$3,670,469,864.45	\$3,591,325,810.56	\$3,846,605,149.20
\$409,831,349.11	\$763,196,195.42	\$920,889,681.75	\$700,328,098.72	\$753,136,081.97	\$773,645,883.28
-7,108,095.67	-751,532,413.00	-929,743,366.85	-684,763,442.06	-629,332,500.56	-774,240,453.23
+\$402,632,653.44	+\$11,643,782.42	-\$8,853,684.10	+\$15,564,656.66	+\$123,803,572.41	-\$504,564.90

Corporation held by the treasury. In 1925, \$499,000,000 of the accumulated balance in this deposit account was transferred (on the books of the treasury) to miscellaneous receipts to cancel an equal amount of outstanding capital stock and is here shown as a non-revenue receipt in that year. This same procedure was followed in the case of the Sugar Equalization Board in 1921, 1922, and the Grain Corporation in 1927.

investments which are grouped under the heading of non-governmental costs. Here too a great reduction has taken place during this period, such reduction being from \$3,906,980,803.74 in 1921 to \$2,944,590,355.53 in 1930. The greater part of this reduction took place in 1922, governmental costs in that year dropping to \$3,164,884,447.86. In the following year, 1923, it dropped to \$2,938,954,093.61 and in 1924 to \$2,691,819,783.17. After rising somewhat in 1925 to \$2,805,087,375.70, it dropped back in 1926 to

\$2,705,723,104.81. Beginning with 1927, however, there is indicated a tendency for these expenditures to increase, the



4. FEDERAL INCOME (upper) AND FEDERAL EXPENDITURES (lower)
(From Table 6)

total of governmental costs being \$2,709,327,836.83 in 1927, \$2,761,856,134.03 in 1928, \$2,886,673,408.11 in 1929, and \$2,944,590,355.53 in 1930.

Taken as a whole this showing can not but be deemed to be very creditable to those having direct responsibility for the conduct of public affairs. To the Administration belongs the credit of framing and submitting to Congress budgets compiled on an economical basis and to Congress belongs the credit not only of not increasing these estimated needs but also of actually voting in every year a total of appropriations less than that called for by the budget. Especially is the showing a satisfactory one when account is taken of the steady growth in the population and economic activities of the people, the increasing demands made upon governments of all kinds, the almost unavoidable necessity for the creation of new services for the handling of such matters as radio, aviation, and the like, the necessity for the increasing of the compensation of almost all classes of public employees in order to bring it into conformity with the rising scale of salaries and wages in private life, and by the fact that during this period the expenditures of other governments, state, municipal, and county, have gone up by leaps and bounds.

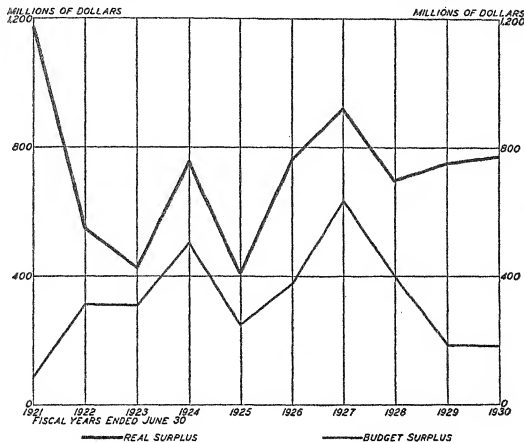
In considering this matter of total governmental costs, it is of interest to note the extent to which the totals shown are due to the drain made upon the General Fund of the treasury by the necessity of financing capital outlays or deficits of revenue-producing enterprises. In 1921, expenditures for this purpose amounted to the significant sum of \$642,388,593.13. This unusually large disbursement was primarily due to losses resulting from the operation of the Railroad Administration and the Emergency Fleet Corporation, though the postal deficit in that year was unusually large. With the substantial liquidation of the affairs of the Railroad Administration and the reduction in the scale of operations of the Emergency (now Merchant) Fleet Corporation, the charge upon the general treasury resulting from the operation of special business enterprises has shown a material reduction. This reduction would have been much greater than it has been but for the fact that recent years have shown a tendency for postal deficits steadily to increase. This subject of income and expenditures resulting

from the operation of special business enterprises will receive further consideration in another part of this study. Here we are only concerned with them as affecting the total of governmental costs. As has been stated, this operating statement has been prepared, not only for the purpose of showing the totals of governmental income and expenditures classified by main categories, but also by comparing the two, to bring out the extent to which, in each year, and for the entire period, the government has lived within its income or the reverse. In seeking to do this, the comparison must be made between revenue income and governmental costs rather than total income and total expenditures. This results from the fact that non-revenues represent merely a conversion of assets from one form to another, as where interest-bearing securities are sold or liquidated for cash, and non-governmental costs represent for the most part the payment of public debt and to a less extent the setting up of compensating assets in the form of securities acquired. Normally, as rapidly as surplus cash becomes available, it is applied to the purchase and cancelation of outstanding debt obligations. As a consequence, the showing at the end of the year of a surplus or deficit secured by a balancing of total income and total expenditures represents little more than a comparatively unimportant change in the cash balance of the treasury. It is due to this fact that the distinction made between revenue and non-revenue income and between governmental and non-governmental costs is of such importance. Without this distinction, no really informative showing can be made of the extent to which the government is improving its financial condition, or the reverse.

It results from the foregoing that the figures representing the real net results of the operations of the year are those shown opposite the stub heading Excess or Deficit, Revenues over Governmental Costs. These figures show that, during every year covered by the statement, the government lived within its income to the extent of hundreds of millions of dollars, and that for the entire period it im-

proved its financial condition to the extent of \$7,224,876,-324.70, or an average of \$722,487,632.47 each year.²

Before leaving this consideration of the net gain of the treasury during this period, it is desirable to point out how



5. REAL SURPLUS AND BUDGET SURPLUS

(From Table 7)

superior this statement is as showing the real results of the operations of the government during the year to that given in the annual budget submitted to Congress. The latter

² It is unfortunate that a comparison of the net result of operations by years is rendered difficult by the unusual transactions that took place in 1925. That year shows an abnormal excess of non-revenue income due to the procedure employed in handling the special deposit account of the War Finance Corporation. Deposits in this account were not treated as general treasury receipts until they were actually turned over to the General Fund. In 1925, \$499,000,000 of the deposits accumulated in such account were surrendered to the treasury, in return for the surrender and cancellation of the same amount of the capital stock of the corporation. The result was to show an apparently large income from this source in a single year, although the moneys had been accumulated in the deposit account of the corporation during a number of years preceding.

statement, in arriving at its surplus, fails to distinguish between federal receipts and federal income, between that part of income constituting revenue and that part constituting non-revenue, between federal disbursements and federal expenditures, and between that part of federal expenditures constituting governmental costs and that part constituting non-governmental costs. Furthermore, although it includes among expenditures payments made from so-called ordinary receipts for reduction of debt, the budgets statement does not include payments made for the same purpose from treasury surplus. The surplus thus arrived at may serve a purpose from the strictly budgetary standpoint, but it does not by any means furnish accurate information regarding the extent to which the government has lived within or exceeded its real income during the year. The difference between the surplus thus arrived at and that representing the excess or deficit of revenue over governmental costs which, as stated, constitutes the real showing of the extent to which the government has lived within its income, or the reverse as revealed in the statement under consideration, is brought out by Table 7:³

7. COMPARISON OF REAL SURPLUS WITH BUDGET SURPLUS

Fiscal Year	Budget Surplus	Surplus as Represented by Excess of Revenues over Governmental Costs
1921.....	\$ 86,892,271.61	\$1,176,713,267.95
1922.....	313,801,651.10	545,577,794.33
1923.....	309,657,460.30	425,708,457.26
1924.....	505,366,986.31	755,849,509.81
1925.....	250,505,238.33	409,831,349.11
1926.....	377,767,816.64	763,196,195.42
1927.....	635,809,921.70	920,889,681.75
1928.....	398,828,281.06	700,328,098.72
1929.....	184,787,035.42	753,136,081.97
1930.....	183,789,214.90	773,645,888.38

³ The more important variations in method employed in arriving at these two surpluses are as follows:

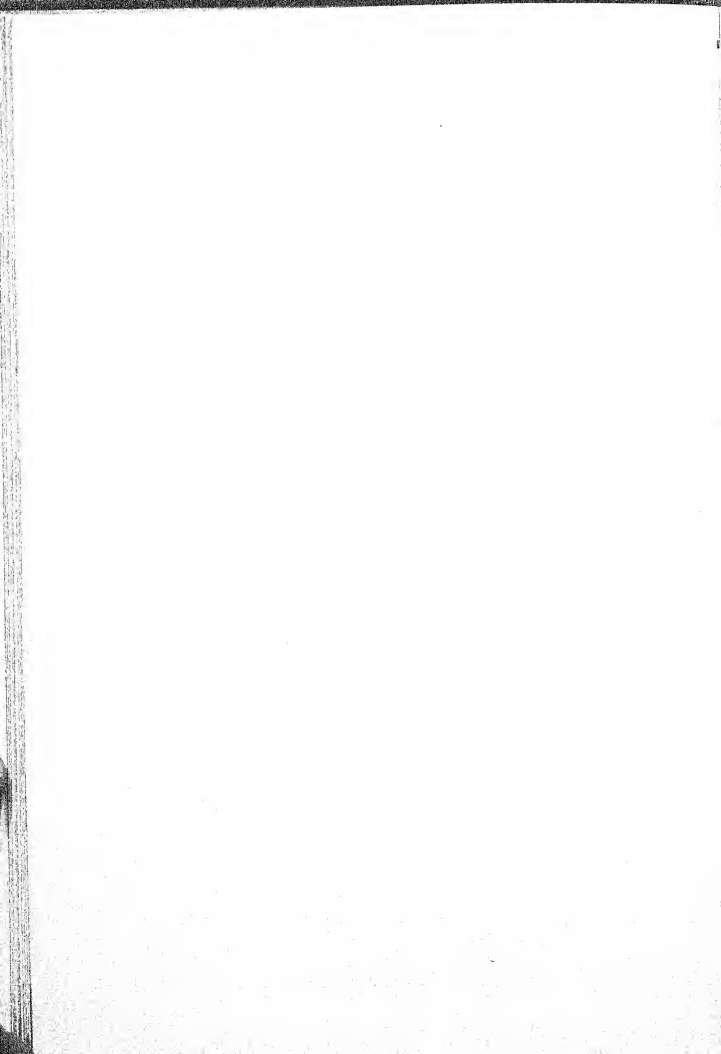
1. The surplus representing excess of revenue over governmental costs excludes all transactions in respect to reduction of debt

- and the making or realizing upon investments which is not done in the budget surplus.
2. The first statement excludes receipts and expenditures on account of the District of Columbia and trust funds, which is not done in the budget surplus.
 3. The first statement is on the basis of checks issued, whereas the budget surplus is adjusted to a cash basis.
 4. Deposits to checking accounts of the War Finance Corporation, U. S. Sugar Equalization Board, and U. S. Grain Corporation were included by the budget in revenue receipts in the fiscal year in which such deposits were made, while in this statement such moneys are not accounted for as receipts until actually transferred from such checking accounts to miscellaneous receipts in liquidation of capital stock of these corporations, at which time they are accounted for as non-revenue receipts.

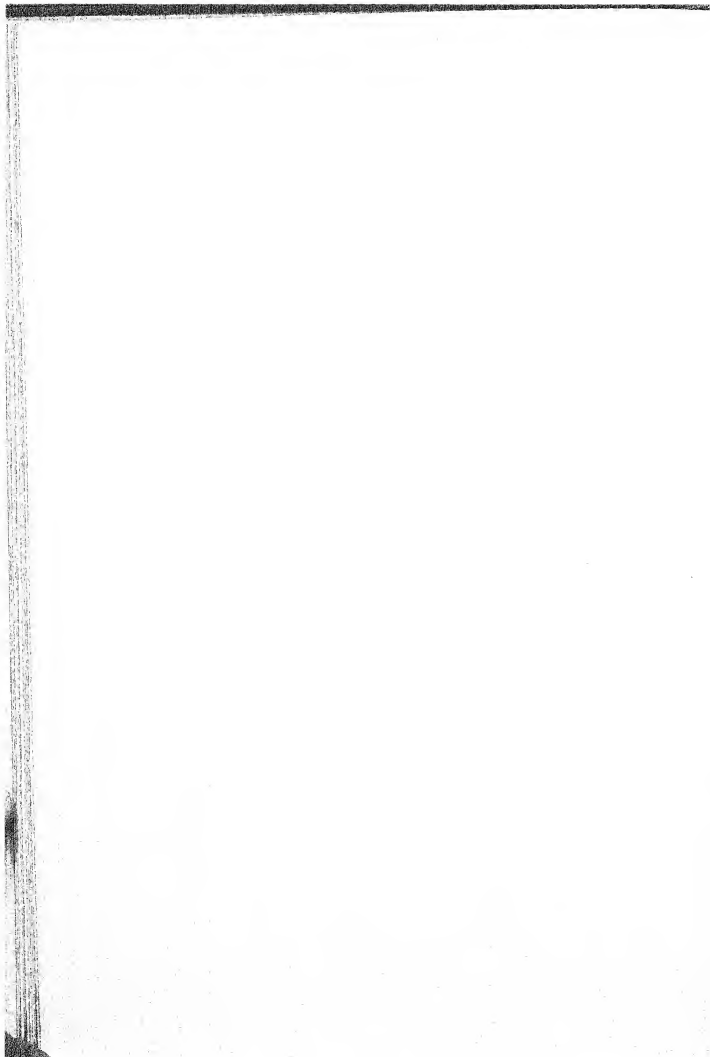
In order further to explain the difference between the two statements there is given below the adjustment of the surplus item for 1930 as given in the statement here printed and the corresponding item as given in the budget.

Excess of Revenues over Governmental Costs as per statement here given.....	\$773,645,888.38
Additions:	
Reduction of debt from surplus, included in expenditures.....	\$191,895,049.42
War Finance Corporation deposits, not included in receipts.....	58,838.54
Excess of Internal Revenue receipts, here included on basis of collectors' reports.....	1,378,867.62
Total Additions.....	\$193,332,755.58
Total	\$966,978,643.96
Deductions:	
Excess of Non-Governmental Costs over Non-Revenue Receipts	\$774,240,453.28
Excess of trust fund expenditures over receipts.....	6,157,274.03
Excess District of Columbia expenditures over receipts.....	1,401,723.35
Adjustment to cash basis.....	1,389,978.40
Total Deductions.....	\$783,189,429.06
Total Surplus as per Budget Statement No. 1.....	<u>\$183,789,214.90</u>

Similar adjustments would explain the difference reflected in other fiscal years.



PART III
THE FEDERAL INCOME



CHAPTER VII

FEDERAL REVENUE CLASSIFIED BY SOURCES

As has been pointed out, the first thing to be done, in seeking to secure information regarding the real financial operations of the government is to eliminate from both sides of the account those transactions which are of a fiduciary character and thus to secure data having to do only with the operations of the government proper. Such a segregation was made in Table 5, showing federal receipts and disbursements, classified by beneficiary.

Having secured the total of federal income, properly speaking, in this way, the second step to be taken was to break down this total so as to distinguish between that part of it constituting revenue income and that part constituting non-revenue. This was effected and the results presented in the operating statement that has been given.

With figures thus arrived at representing the total revenue and total non-revenue income of the government during each of the ten years covered by this study, it is next in order to secure and present information regarding the character and importance of the several items entering into each of these categories. Of these, that of revenue income is of much the greatest interest and will receive first attention.

From the standpoint of those having responsibility for determining governmental policies and conducting the actual operations of government, information regarding the sources from which the national government derives its revenue income can scarcely be had in too great detail; for it is only as such information is available that it is possible to determine the results of the particular provisions of law calling for the payment of taxes or other dues, or to forecast the probable results of contemplated changes in such provisions. This detail data must then be subjected to a process of classification in order to make known the absolute and relative importance of significant categories. It is, thus,

desirable to know not only the revenue derived from each specific tax but from all taxes, the revenue derived from each kind of fee, but from all fees, the revenue derived from each class of fines, but all fines, etc.

It is a remarkable fact that, prior to the adoption of the budget system in 1921, no really serious effort had been made by the accounting officers of the government to prepare and present any logical or systematic statement, in detail or classified, of the sources from which the government's income was derived. So far as classification is con-

S. FEDERAL REVENUES,

	1921	1922	1923	1924
1. Taxes.....	\$4,020,294.09	\$3,544,338.27	\$3,045,657.61	\$3,195,264.00
2. Interest, dividends and exchange.....	87,706.35	57,466.61	221,132.04	173,830.37
3. Fines and penalties.....	6,579.93	12,000.16	8,943.40	10,045.80
4. Fees.....	13,716.11	14,557.79	14,344.07	14,577.85
5. Permits, privileges, and licenses.....	7,258,835.50	139,267.10	186,582.95	188,755.74
6. Forfeitures.....	163,965.96	297,435.91	393,531.26	365,243.22
7. Assessments.....	7,334,900.61	6,753,509.47	5,247,210.85	5,028,761.25
8. Reimbursements.....	1,687,511.24	6,496,845.36	4,842,175.25	6,920,823.01
9. Gifts and contributions.....	4,633,856.63	4,580,346.86	4,845,102.77	5,622,054.12
10. Sales of government products and miscellaneous equipment.....	2,079,975.41	24,110,995.21	13,415,402.14	4,915,498.25
11. Sales of services.....	2,334,665.13	3,105,402.40	3,393,461.58	3,348,436.16
12. Rents of public buildings, grounds, and property.....	1,152,927.15	932,646.66	940,765.46	1,187,994.53
13. Public domain receipts (excluding sales of land).....	14,647,656.28	13,868,593.59	14,792,550.79	18,047,541.25
14. Mint receipts.....	12,610,210.05	21,660,921.07	25,865,170.45	8,133,587.23
15. District of Columbia sources.....	561,106.29	457,798.25	682,966.05	935,438.95
16. Other miscellaneous receipts not classified as to source.....		5,033.85	378.69	-1,042,893.59
Total Revenues.....	\$5,082,812,071.69	\$3,710,862,242.19	\$3,364,662,550.87	\$3,447,669,293.98

cerned they contented themselves with certain summary groupings, such as the three-fold one of ordinary, postal, and public debt, or customs, internal revenue, and miscellaneous, which were almost meaningless, since they dealt with receipts rather than income, made no proper distinction between revenue and non-revenue income, and were of so condensed a character as to afford little information even had proper accounting distinctions been made.

The Bureau of the Budget made a great advance in reporting. From the preparation of its first budget document, it made an attempt, as regards ordinary receipts, to distinguish between revenue and non-revenue income and to classify under significant headings the items falling under

each head. This classification, while representing an improvement over what had been done, or rather not done, in the past, still was far from satisfactory, due primarily to the fact that details regarding the government's income were not accounted for and reported in such a manner as to make it possible to do all that was desired in handling this important matter.

In 1928 a committee, on which both the General Accounting Office and the Treasury Department were represented, worked out a revised scheme of classification of receipts,

CLASSIFIED BY SOURCE

1925	1926	1927	1928	1929	1930
\$2,957,959,096.40	\$3,214,962,895.50	\$3,942,097,297.87	\$3,196,211,326.51	\$3,338,689,326.27	\$3,483,225,292.94
171,997,315.19	169,115,272.76	195,300,597.67	179,318,547.20	234,896,496.52	157,408,035.09
10,030,721.51	10,135,761.35	8,549,599.03	9,339,889.44	8,132,080.05	10,803,072.11
14,189,647.71	15,579,249.65	16,436,584.93	10,024,491.10	15,585,157.75	17,516,200.66
296,985.33	511,417.82	608,593.16	567,059.95	695,232.14	656,494.27
317,115.78	527,572.46	676,124.99	546,773.65	1,111,951.57	1,068,076.73
5,595,044.58	5,734,546.96	6,415,054.46	5,737,518.21	6,218,935.81	6,835,447.51
10,716,303.32	9,481,140.31	7,820,436.67	16,731,899.23	3,974,385.60	2,517,690.83
6,366,351.08	6,231,154.63	6,350,182.76	5,169,750.40	3,103,215.36	5,948,254.13
6,847,576.08	6,108,322.07	5,405,474.42	5,370,340.74	4,606,735.22	4,803,830.15
4,715,373.92	4,372,107.38	3,031,839.54	2,901,684.56	2,933,921.60	3,231,842.76
1,338,130.44	1,385,425.55	1,169,786.51	1,091,406.01	1,166,425.24	1,095,283.79
15,047,222.07	14,754,553.22	24,130,078.25	16,263,679.58	13,639,142.63	14,546,933.09
8,715,180.82	9,908,032.85	9,130,112.82	6,235,610.60	5,378,407.13	8,321,544.93
757,107.82	93,977.94	146,500.42	124,255.57	52,417.19	48,184.95
79,557.76	22,871.78	2,889,254.58	.....	.....	.....
\$3,214,918,724.81	\$3,468,919,300.23	\$3,630,217,518.08	\$3,462,184,232.75	\$3,639,809,490.08	\$3,718,236,243.91

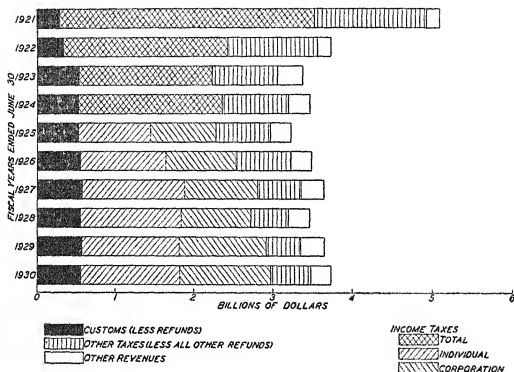
which received the approval of the Comptroller-General and was promulgated on June 27 of that year as General Regulation No. 67, 1928.¹

This classification is, in general, a satisfactory one. With a few modifications, it has been followed in the preparation of the income statements given in this report. The main departures from the official system consist in the segregation

¹ It is only proper to state that the Budget Bureau's scheme of classification was worked out by a representative of the Institute for Government Research, Mr. H. P. Seidemann, who at the request of the first Budget Director, General Charles G. Dawes, served as a technical assistant to him in preparing the first budget document, and that another representative of the Institute, Mr. Herbert Wilson, served on the committee that affected the revision of this system in 1928.

of the receipts of special business enterprises and their showing upon a net rather than a gross basis, and in making provision under "Revenues" for public domain receipts other than sale of public lands, the latter being shown under "Non-revenue" income.

With this explanation, there is now given in Table 8, a classified statement of that part of the federal income represented by revenue receipts.



6. FEDERAL REVENUES
(From Table 8)

The primary interest attaching to this statement is the illuminating picture that it gives of the absolute and relative importance of the various sources from which the government derives its current revenues as distinguished from the sums that it may take in from a realization upon its assets or from other items of non-revenue, the data regarding which are given in a subsequent statement.

As might be expected, the great bulk of the revenue income of the government is obtained from Taxes, that item amounting, in 1930, to \$3,483,225,292.94 out of a total of \$3,718,236,243.91. Of the remaining revenue for that year,

\$235,010,950.97, much the greater part was derived from Interest, Dividends, and Exchange, that item producing, in 1930, \$157,468,035.06. Other items, however, are by no means negligible, \$17,516,260.66 being derived from Fees, \$14,546,933.09 from Public Domain Receipts, \$10,893,072.11 from Fines and Penalties, and \$8,321,544.93 from Mint Receipts. In general, no great variations have taken place during the ten-year period in respect to the relative importance of the several classes of revenue shown, though particular years may, for special reasons, show an unusual increase or decrease in particular items.

Taxes. As has been indicated, it is of interest to know not only the total income derived from each of the general sources of income but also the amounts received from the individual items entering into such classes. Turning our attention to the first, and most important, class that has been indicated in Table 8, Taxes, difficulty is encountered in stating the income derived from each kind of tax due to a number of considerations. In the first place, it is not always easy to decide whether a certain item of income, such, for example, as the immigration head tax, should be deemed to be a tax or a fee. In all such cases the item is classed as a tax when it is so classed in the official reports. Secondly, a decision has to be reached regarding the extent to which the itemization shall be carried. As has already been stated it is desirable, from the administrative standpoint, to carry this itemization to the furthest practicable point. It is thus important to know not only the amount of income derived from excise taxes on tobacco but also the amount derived from each class of tobacco, cigars, cigarettes, chewing tobacco, snuff, etc. To attempt to enter into such detail here would unduly extend our study. We have, therefore, contented ourselves, in Table 9, with presenting the information regarding excise taxes under only the main heads.

This table is unsatisfactory from a number of stand-points. In the first place, it fails to give the detailed information regarding customs receipts that it is desirable to have. Had the information been available, it would have been of

interest to have shown not only the total received from customs dues but also the amount received from at least each important class of commodities subject to such dues as indicated by the several schedules of the customs tariff act.² Unfortunately, this information is not given in any of the

9. TAXES,

	1921	1922	1923	1924
1. Customs (Less refunds).....	\$284,516,198.74 ¹	\$320,153,760.28	\$530,660,911.84	\$522,844,893.73
2. Income: Individual.....	3,228,137,673.75 ²	2,086,918,464.85 ²	1,691,089,534.56 ²	1,841,759,316.80 ²
3. Income: Corporation.....	(³)	(³)	(³)	(³)
4. Estates.....	154,043,260.39	139,418,846.04	128,705,206.55	102,966,761.68
5. Transfer of property by gift.....	(⁴)	(⁴)	(⁴)	(⁴)
6. Tonnage.....	(⁴)	1,802,853.52	1,673,887.77	1,699,665.15
7. Franchise: Surplus earnings, Federal Reserve banks.....	60,724,742.27	59,974,465.64	10,850,604.72	3,613,055.38
8. Franchise: Surplus earnings, Federal Intermediate Credit banks.....				152,271.20
9. Circulation: National Bank notes.....	4,799,615.73	4,537,773.70	4,317,321.10	4,067,299.17
10. Immigration head tax.....	5,756,015.09	2,514,407.19	4,151,694.08	5,539,349.96
11. Distilled spirits and alcoholic beverages.....	82,623,428.83	45,609,436.47	36,358,085.63	27,585,708.37
12. Tobacco and manufactures of.....	255,219,385.40	270,759,284.44	309,015,492.98	325,638,931.14
13. Oleomargarine.....	2,986,495.35	2,121,079.68	2,254,531.23	2,814,104.14
14. Butter, adulterated, process, or renovated.....	49,751.52	32,288.11	51,768.20	48,319.34
15. Filled cheese, mixed flour, etc.....	1,225.85	1,167.45	1,011.41	1,040.50
16. Stamp: Documentary.....	69,864,072.11	55,919,043.80	61,490,151.98	58,526,017.06
17. Stamp: Playing cards.....	2,603,941.42	2,880,441.65	3,385,226.83	3,731,536.90
18. Public utilities: Transportation.....	273,070,001.28	169,426,206.37		
19. Public utilities: Telegraph and telephones.....	28,442,412.46	29,271,621.79	30,380,783.63	34,662,425.90
20. Insurance.....	18,902,094.45	10,855,408.81		
21. Excise: Manufacturers.....	177,751,214.00	143,908,856.09	163,928,570.69	177,482,389.30
22. Excise: Dealers and consumers.....	51,595,646.73	30,434,201.52	21,135,707.75	23,389,972.43
23. Non-alcoholic beverages.....	58,675,972.86	33,504,284.01	10,131,896.94	10,418,866.08
24. Narcotics.....	1,170,291.32	1,269,039.00	1,013,266.26	1,067,066.33
25. Admissions to theaters, etc., and club dues.....	95,890,650.63	80,000,589.53	77,345,877.72	85,722,385.09
26. Other.....	93,883,277.30	95,120,827.49	93,458,114.91	100,374,413.00
Total Taxes, Gross.....	4,950,797,938.17	3,505,434,343.33	3,173,399,647.68	3,334,085,791.65
Less Refunds, Internal Revenue.....	30,603,919.08	51,065,516.07	127,742,031.70	138,821,789.73
Total Taxes, Net.....	\$4,920,294,019.09	\$3,544,338,827.26	\$3,045,657,615.98	\$3,195,264,001.92

¹ Includes tonnage tax, 1921.
Customs, 1921.

² Includes corporation income tax also.

³ Included in Individual Income.

⁴ Included in

financial reports of the government. The Department of Commerce in its reports, gives statements purporting to show customs receipts classified by schedules, but the figures

² These schedules are:

1. Chemicals, oils and paints
2. Earths, earthenware and glassware
3. Metals and manufactures of
4. Wood and manufactures of
5. Sugar, molasses and manufactures of
6. Tobacco and manufactures of
7. Agricultural products and provisions

FEDERAL INCOME

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given relate to dues as first assessed, which may be quite different from those finally paid, and pertain to the calendar instead of the fiscal year.

In the second place, while the total for all taxes is correctly stated on the net basis; that is, after all refunds have

CLASSIFIED BY KIND

1925	1926	1927	1928	1929	1930
\$524,292,683.70	\$550,151,054.22	\$589,112,955.95	\$544,357,795.40	\$578,992,585.95	\$558,628,478.03
845,426,352.49	879,124,407.16	911,939,910.82	892,727,113.64	1,095,541,172.40	1,146,844,763.69
101,232,087.02	1,094,979,734.17	1,308,012,532.90	1,291,845,989.25	1,235,733,256.24	1,263,414,460.00
101,421,766.20	116,041,036.00	100,359,851.96	60,087,233.97	61,897,141.48	64,766,625.04
7,518,129.32	3,175,338.73	.....	.....	.....	.....
1,799,846.82	1,825,049.44	2,245,912.51	1,941,902.86	2,009,318.04	2,016,337.12
113,646.58	59,300.37	818,150.51	249,591.17	2,584,658.50	4,233,230.96
528,313.30	508,589.86	413,613.07	368,775.88	258,086.51	172,230.57
4,061,674.75	3,277,512.90	3,253,461.97	3,234,240.29	3,240,307.81	3,248,327.85
3,197,265.07	3,051,430.35	3,271,903.10	3,262,740.70	2,885,238.00	2,722,898.00
25,904,774.72	26,452,028.63	21,195,551.96	15,307,796.45	12,776,728.40	11,695,267.67
345,247,210.96	370,666,438.87	376,170,205.04	396,450,041.03	434,444,543.21	450,339,060.50
3,038,927.84	3,070,218.26	3,164,218.94	3,407,599.94	3,611,153.44	3,919,387.75
14,126.75	8,256.42	13,113.33	15,102.96	12,240.53	11,603.19
11,100.80	14,065.74	7,964.86	.....	.....	.....
46,068,399.26	49,800,825.33	32,603,082.93	43,818,495.84	58,797,726.64	72,909,377.40
3,183,384.92	4,213,414.03	4,742,468.50	5,010,712.40	5,375,604.20	4,819,292.50
.....
180,837,168.05	142,477,447.03	66,829,031.21	51,936,591.28	5,711,550.04	2,664,652.34
10,494,934.67	7,727,718.85	.....	.....	.....	.....
1,090,932.73	981,739.07	797,825.32	690,432.41	605,336.04	588,682.40
39,698,397.44	34,054,515.05	28,376,657.48	28,077,941.91	17,328,310.47	10,751,759.51
108,531,970.07	103,219,708.76	11,480,714.66	11,160,458.60	7,219,412.28	1,417,789.59
3,118,133,598.49	3,394,872,829.33	3,458,799,127.02	3,343,950,583.98	3,529,024,870.24	3,611,217,235.70
160,174,542.09	179,909,933.83	116,701,829.15	147,739,257.47	190,335,543.97	127,991,942.70
\$2,957,959,056.40	\$3,214,962,895.50	\$3,342,097,297.87	\$3,196,211,326.51	\$3,338,689,326.27	\$3,483,225,292.94

been deducted from original gross receipts, the figures for the individual taxes have had to be given on the gross basis, since refunds are reported in lump sums for "customs" and

8. Spirits, wines and other beverages
9. Cotton manufactures
10. Flax, hemp and jute, and manufactures of
11. Wool and manufactures of
12. Silk and silk goods
13. Pulp, paper and books
14. Sundries.

for "internal revenue" without allocations to the particular tax receipts affected by such refunds. As the great bulk of the refunds undoubtedly consist of the repayment of corporation and individual income taxes, the figures given may be taken, nevertheless, as showing the relative productiveness of the several kinds of taxes with reasonable accuracy.

Finally, mention may be made of the belief that the official classification of taxes into customs, internal revenue, and miscellaneous taxes serves no useful purpose. It has accordingly been here disregarded. In Table 8 all that has been attempted has been to list the distinct classes of taxes without further classification and to show the amounts of income produced by them during each of the years covered by this study.

Surveying the period as a whole, it will be found that there has been a large loss of income resulting from the repeal of certain taxes, such as those on public utilities, transportation, telegraph and telephone, insurance, and excise taxes on dealers and consumers and non-alcoholic beverages. These taxes produced \$430,776,127.78 in 1921 and nothing in 1930.

The estates tax has also shown a decreased yield, the amount received from this source being \$154,043,260.39 in 1921 and \$64,769,625.04 in 1930. The same is true of the excise tax on distilled spirits and alcoholic beverages, the figures being \$82,623,428.83 in 1921 and \$11,695,267.67 in 1930, and of the taxes on admission to theatres, club dues, etc., due to modification of these taxes, the loss being from \$95,890,650.63 in 1921 to \$16,751,759.51 in 1930.

On the other hand, there has been a very material increase in the yield of customs dues, receipts from this source being \$284,516,198.74 in 1921 and \$553,628,478.03 in 1930. This took place largely in 1923. Since that year the variation in the yield has not been great. It should be borne in mind that these figures represent the net or real yield from this source, deduction of customs refunds being made from the sum first reported as collected. A substantial increase has also taken place in the yield of the tax on tobacco and manufactures of tobacco, this increase being from \$270,759,384.44

in 1922 to \$396,450,041.03 in 1928. This was due almost wholly to the great increase in the consumption of cigarettes. Though not of great importance from a financial standpoint, it is nevertheless of interest to note that the yield from the tax on playing cards has almost doubled in this period, a result probably due to the great vogue in recent years of bridge and contract.

Interest, Dividends, and Exchange. Next in importance to taxes as a source of income to the national government is the item Interest, Dividends, and Exchange. This item is received from a variety of sources, as shown by Table 10.

While this statement is drafted in a form to reveal the information that it is desirable to have regarding this feature of the government's financial operations, it is far from satisfactory as regards the actual showing of operations during the period covered. Its defects are due to the fact that the government has not kept its accounts, or at least has not published the results of its financial operations, in such a way as to distinguish its receipts from the sources comprehended by the statement from those received from other sources. In particular has it failed in cases to distinguish between payments made by its creditors representing interest and those representing repayment of the capital of their obligations. It will thus be noted that only small sums are reported as interest on obligations of carriers during the years 1921 to 1926, while for 1927 and 1928, there is reported the receipt of \$20,022,776.38 and \$10,437,164.82, respectively; this, notwithstanding the fact that, due to the rapid repayment of these obligations during the decade, interest payments must have been much larger in the earlier years. The fact is, that payments on account of principal and interest were not segregated. This, of course, affects the statement hereafter given of income from non-revenues. It will also be seen that no report is made of receipts from dividends on stock of the Federal Land banks and Federal Intermediate Credit banks owned by the government. If there were such receipts they were probably covered into the treasury under some such general head as miscellaneous

receipts. Another marring feature is the practice of certain of the subsidiary corporations set up by the government of only making payments to the general treasury at intervals of years or when the final steps of liquidation are entered upon.

Even with these defects, the statement, nevertheless, presents information of interest. Much the most important item is interest received on account of obligations given by foreign governments in adjustment of their war indebted-

10. INTEREST, DIVIDENDS, AND

	1921	1922	1923	1924
1. Obligations of foreign governments.....	\$31,143,138.25	\$27,715,040.79	\$201,332,247.86	\$160,684,807.75
2. Obligations of carriers.....	84,000.00	3,000.00	10,344.34	30,968.23
3. Farm Loan Bank bonds.....	8,306,075.00	8,611,170.08	5,423,694.58	4,584,825.00
4. Shipping Board loans.....				5,740.43
5. U. S. Housing Corporation loans.....	610,297.06	1,291,695.00	1,258,167.04	1,081,765.65
6. Capital stock, Sugar Equalization Board	30,000,000.00			
7. Capital stock, War Finance Corporation				
8. Capital stock, Panama Railroad Corporation.....				1,050,000.00
9. Capital stock, Spruce Production Corporation.....				
10. Capital stock, Hoboken and Manufacturers Railroad Company.....		250,000.00		
11. Farmers' seed and feed loans.....		1,410.41	82,833.20	28,000.00
12. Farmers in drought-stricken areas loans.....	44,691.61	31.20		396.77
13. Advances to contractors.....	\$68,257.99	14,300.29	576,023.85	43,213.39
14. Public deposits.....	5,728,471.35	7,643,779.01	5,452,600.84	4,645,002.91
15. Gain by exchange.....	207,996.70	8,199,528.00	6,109,449.60	17,061.58
16. Discount on purchase of bonds, notes, etc.....	10,675,194.55	3,436,145.01	816,667.85	1,631,456.83
17. Other.....	38,262.86	300,510.85	70,005.32	27,158.77
Total.....	\$87,706,385.37	\$57,466,611.54	\$221,132,094.54	\$173,880,397.31

¹ Central Branch, Union Pacific Railroad excluded.

ness to the national government. Next to this in importance is the item of interest on public deposits. This is composed almost entirely of the interest paid to the treasury by banks serving as depositaries of public funds. Prior to 1913 no interest was required by the government from the banks having the custody of treasury funds. Since then the banks have been required to pay interest at the rate of 2 per cent. This requirement it will be seen brings into the treasury nearly five million dollars annually. In certain of the earlier years the government has profited not a little from its ability to purchase its own securities for sinking fund purposes at a discount. The item of interest on farm loan

bank bonds was in early years of some importance. These bonds have, however, been completely disposed of, with the result that no income is now received from this source. A matter of no little interest is the fact that two of the corporations set up for the more effective prosecution of the war, the Sugar Equalization Board and the War Finance Corporation, proved in their operation to be highly remunerative enterprises to the government. The Sugar Equalization Board, as brought out by this statement, turned into the

EXCHANGE, CLASSIFIED BY SOURCE

1925	1926	1927	1928	1929	1930
\$160,389,977.94	\$159,361,588.98	\$160,389,599.90	\$161,085,345.99	\$160,340,908.23	\$141,681,519.26
84,726.77	17,811.46	20,022,728.38	10,437,164.82	3,376,799.58	3,412,866.48
4,443,024.56	3,618,139.22	670,060.92			
40,067.85	299,960.84	371,888.06	609,467.19	786,966.19	1,171,575.80
785,000.03	591,248.57	416,869.07	317,332.16	241,897.99	206,168.82
		6,370,621.39	982,135.02		
				64,352,768.79	
350,000.00	350,000.00	350,000.00	700,000.00	700,000.00	700,000.00
		121,331.31			
28,000.00	13,500.00	9,522.46	15,827.87	7,049.24	184,725.57
195.43	75.06	28.34			
120,582.29	194,161.69	44,551.39	137,851.24	83,450.63	80,448.26
4,505,682.36	4,830,081.43	4,707,706.55	4,855,434.17	3,423,681.74	3,623,529.89
519,654.75	24,418.98	1,707,196.24	7,009.40	920.20	459.38
			26,983.20	680,697.29	5,459,401.35
779,803.21	84,296.48	178,513.06	143,976.14	871,456.64	747,340.80
\$171,997,315.19	\$169,115,272.76	\$195,360,597.67	\$179,318,547.20	\$234,866,496.52	\$157,468,035.06

treasury the large sum of \$37,352,756.41 over and above the \$5,000,000 representing the surrender and cancellation of its capital stock purchased by the treasury, and the War Finance Corporation, after returning to the treasury the full amount of its capital stock, turned in an additional sum of \$64,352,768.79.

Fines and Penalties (Including Costs). The statement of federal income, classified by sources, shows that in the neighborhood of \$10,000,000 is derived from fines and penalties. The great bulk of this income is derived from a comparatively few classes of fines and penalties, of which Judicial, Customs, and National Prohibition Act are much the

most important. The precise amounts received from each of the more important items are shown by Table 11.

Fees. The class, Fees, covers a large number of separate items. The income derived from many of these items is comparatively small. That represented by other items, however,

11. FINES AND PENALTIES (INCLUDING

	1921	1922	1923	1924
1. Judicial.....	\$3,500,835.60	\$3,795,107.43	\$5,190,490.62	\$1,327,426.11
2. Customs.....	1,173,285.63	1,032,639.34	621,895.65	947,231.88
3. National Prohibition Act.....				6,507,062.12
4. National Narcotic Act.....				
5. Immigration.....	9,800.00	3,200.00	10,025.00	45,100.00
6. Labor collections.....	328,643.78	254,071.31	194,188.13	399,631.66
7. Commerce violating traffic regulations.....				
8. Navy fines and penalties.....	1,541,288.96	6,913,041.86	2,925,438.82	818,474.43
9. Other.....	17,080.63	2,102.42	1,311.19	877.11
Total.....	\$6,579,934.69	\$12,000,162.36	\$8,943,404.41	\$10,045,808.31

12. FEES,

	1921	1922	1923	1924
1. Judicial.....	\$872,840.82	\$1,337,830.28	\$1,446,815.63	\$1,711,337.42
2. Consular.....	5,677,017.65	6,712,979.11	6,693,667.97	6,679,399.34
3. Passport.....	1,172,708.64	1,265,202.63	1,038,597.69	1,245,298.39
4. Patent.....	2,696,562.46	2,875,018.15	3,031,270.53	2,908,838.02
5. Copyright.....	133,687.85	157,412.75	149,247.83	164,582.85
6. Naturalization.....	912,601.16	657,190.00	654,562.50	481,033.50
7. Land Office.....	1,731,022.44	1,121,346.36	835,228.48	681,205.92
8. Navigation.....	305,904.84	239,452.57	258,782.13	258,796.04
9. Board of Tax Appeals.....				
10. Warehouse Act.....			3,642.40	6,216.00
11. Alaska game laws.....				
12. Certifying railroad tariffs.....	3,679.05	4,280.34	5,970.89	6,763.54
13. Commissions on telephone pay stations—Public buildings.....				
14. Immigration registration.....				
15. Copying.....				89,199.54
16. Other.....	178,877.28	175,087.77	227,453.54	68,348.76
Total.....	\$13,716,113.19	\$14,557,795.39	\$14,344,077.70	\$14,577,850.32

runs into hundreds of thousands or millions of dollars. Receipts from certain classes of fees have a special interest due to the fact that in not a few cases they are sufficient in amount to defray a large part, or the whole, of the expenses of conducting the services collecting them. The annual reports of the Commissioner of Patents have for years pointed out that the fees collected in connection with the operation of the Patent Office have exceeded the expenses involved in operating that service and that the service has,

therefore, been more than self-supporting. The consular and passport fees collected by the State Department almost meet the entire expenses of operating that Department, including the maintenance of its field establishments, the Diplomatic and Consular branches of the Foreign Service. Copy-

(Cost), CLASSIFIED BY KIND

1925	1926	1927	1928	1929	1930
\$1,379,868.19	\$1,599,218.14	\$1,357,402.53	\$2,186,865.38	\$525,860.11	\$626,102.04
1,275,826.61	1,429,792.67	1,589,714.30	2,562,875.21	2,356,785.56	2,246,658.66
5,359,672.89	5,280,147.12	4,298,198.21	3,961,630.28	4,384,136.50	4,201,775.22
100.00	125.20	2,050.26	85,158.80	1,277.10	3,255.23
8,000.00	1,500.00	18,700.00	52,093.82	169,594.02	218,943.26
584,118.92	637,749.09	418,827.05	121,521.53	48,799.21	62,822.88
1,419,048.77	1,236,257.37	845,661.29	863,452.99	675,005.73	3,415,819.29
2,488.13	971.16	21,096.65	3,241.12	1,221.82	19,695.53
\$10,030,721.51	\$10,135,761.35	\$8,549,599.03	\$9,839,899.44	\$8,132,680.05	\$10,893,072.11

CLASSIFIED BY KIND

1925	1926	1927	1928	1929	1930
\$1,457,267.74	\$1,662,380.83	\$1,687,807.58	\$1,744,765.41	\$1,739,325.05	\$1,771,640.50
6,063,432.89	7,112,202.59	7,198,257.98	6,595,663.17	5,805,918.52	5,834,798.60
1,394,802.73	1,512,480.09	1,583,104.27	1,700,030.00	1,846,028.00	1,938,282.00
2,962,653.29	3,421,404.17	3,402,627.12	3,683,216.35	3,696,925.87	4,028,728.52
166,354.00	177,645.25	183,712.11	192,262.15	308,825.00	331,281.00
993,783.50	477,650.00	944,955.50	979,070.50	907,483.00	1,936,820.32
565,877.16	439,004.80	493,194.99	464,461.63	461,215.91	413,927.80
314,098.50	356,511.37	345,496.44	265,640.20	248,846.41	286,322.72
4,478.00	89,840.00	127,259.50	101,109.20	59,218.05	47,670.55
2,905.00	5,709.00	5,859.00	4,557.00	7,145.50	6,598.00
7,122.02	3,468.51	24,140.19	28,121.36	26,476.54	30,124.05
.....	8,199.74	9,760.05	13,739.06	17,012.90	19,857.48
.....	8,326.68	16,870.20	55,892.03	49,253.38	57,235.72
27,503.77	30,422.44	28,514.83	33,493.59	47,301.06	145,737.32
219,289.20	274,488.18	320,019.87	162,439.45	364,191.56	48,996.96
.....	.....	.....	.....	.....	675,190.13
\$14,160,647.71	\$15,570,249.05	\$16,436,584.93	\$16,024,491.10	\$15,585,167.75	\$17,516,260.66

right fees also more than support the maintenance of the Copyright Office, which is a subdivision of the Library of Congress. In the same way judicial fees, including costs, taken in connection with receipts from fines and penalties, make a substantial contribution toward the expenses of maintaining the system of federal courts.

Table 12 shows the income derived by the government from the more important of these classes of fees and from all fees combined.

It would be improper to leave this showing without calling attention to the difficulty that is involved in deciding whether certain items of income should be included under Fees or under the heading of Sale of Services. It would, for example, be possible to take the position that the fees paid to the Patent Office and the Copyright Office were payments made for services rendered by those offices and to include them under Sale of Services. In deciding these questions the manner in which these payments have been classified by the government has in general been followed. Should one desire to know the total taken in by the government for

13. PERMITS, PRIVILEGES, AND

	1921	1922	1923	1924
1. Alaska Fund.....	\$174,329.90	\$136,053.10	\$183,349.95	\$184,553.24
2. Fishing and hunting.....	3,201.00	1,603.00	2,299.00	2,979.00
3. Ice-cutting permits.....			216.00	438.00
4. Immigration Service: Permits to re-enter the U. S.....				
5. Business concessions.....	2,316.05	1,011.00	718.00	785.50
6. Licenses under Sec. 10, Trading with the Enemy Act.....				
7. Excess profits on licenses, U. S. Food Administration.....	7,078,988.55			
Total.....	\$7,258,835.50	\$139,267.10	\$186,582.95	\$188,755.74

¹ Other than public domain.

services performed, broadly considered, it would be necessary, therefore, to combine the totals given under the two heads.

Permits, Privileges, and Licenses. The income class, Permits, Privileges, and Licenses, is of relatively little importance, but being a distinct class it is desirable that it should be distinguished from the other classes. The income derived from this class of receipts is shown by Table 13.

It will be seen from this statement that the only items of any considerable importance are those designated "Alaska Fund" and "Immigration Service: Permits to reenter the United States."

Sale of Products and Sale of Services. The income derived by the government from the sixth, seventh, eighth, and ninth classes (Forfeitures, Assessments, Reimbursements,

and Gifts and Contributions), is not sufficient in amount or of a character to require any further special analysis in this place.

Not a little interest, however, attaches to the sums taken in by the various services of the government in return for articles produced by them as a feature of their activities and services rendered. Table 14 shows the sums received from the more important sources falling under these two heads. In considering this statement account should be taken of the difficulty already mentioned of distinguishing between the payments that should be classified under this head and

LICENSES, CLASSIFIED BY KIND¹

1925	1926	1927	1928	1929	1930
\$196,293.36	\$186,603.95	\$238,094.62	\$153,688.27	\$250,036.01	\$220,589.68
2,835.00	50.00	2,842.78	86.00	12,508.76	12,973.02
354.00	468.00	415.00	442.00	410.00	1,338.34
96,639.12	323,299.33	366,076.41	393,668.88	363,703.62	\$21,456.85
1,063.25	999.54	1,164.35	1,092.50	67,973.75	100,142.38
.....	.....	.....	18,082.30	.....	.....
\$266,985.33	\$511,417.82	\$608,593.16	\$567,059.95	\$695,232.14	\$656,494.27

that of fees. Several appear under the latter head that might with propriety be treated as income derived from sale of services. On the whole, it has been thought best to follow the classification used by the government.

From this statement it will be seen that the government has a yearly income of from six to eight million dollars from the two sources indicated. Receipts from sales of publications represent almost entirely the money taken in by the Superintendent of Documents of the Government Printing Office. Though the government makes a wide gratuitous distribution of its reports, this office is, nevertheless, authorized to sell, at cost, back as well as current stock of government publications. A real service is rendered to the public by this office.

Navigation charts are prepared by the U. S. Coast and Geodetic Survey and by the Hydrographic Office of the

Navy. These charts are sold at cost to the merchant marine and, as will be seen, produce a considerable income.

The Library of Congress, as an incident to printing index cards for its own use sells these cards to other libraries, an operation which brings in over \$200,000 a year.

14. SALES OF PRODUCTS AND

	1921	1922	1923	1924
1. Sale of Products				
1. Publications.....				\$152,861.26
2. Maps.....				15.65
3. Charts.....				67,888.88
4. Card indexes.....				149,130.32
5. Printed forms.....				4,946.76
6. Agricultural products.....	\$8,644.07	\$4,616.99	\$4,773.08	6,062.57
7. Seal skins and oil.....	1,024,886.81	221,127.88	238,012.79	110,958.09
8. Fox skins.....		71,870.99	162,432.97	
9. Skins, hides, and wool, unclassified.....				
10. Reindeer (Alaska).....	632.37		1,434.00	7.00
11. Occupational therapy products.....	1,169.43	2,959.25	5,720.68	6,576.85
12. Naval stores.....			166,350.41	166,507.37
13. Subsistence, meals, rations, etc.....	59.82		23,266.35	17,457.98
14. Confiscated property.....				
15. Electric current and water (Chiefly Muscle Shoals).....				
16. Other.....	1,044,682.91	23,810,420.10	12,813,405.86	4,233,065.52
Total Sale of Products.....	2,079,975.41	24,110,995.21	13,415,402.14	4,915,498.25
2. Sale of Services				
1. Inspection of food products.....	97,352.00	120,166.78	144,554.26	160,661.36
2. Fumigating and disinfecting.....		1,069.50	55,372.00	66,878.50
3. Fumigating and disinfecting (Quarantine service).....	110,126.86	483,220.19	590,244.13	571,203.07
4. Laundry and dry cleaning.....				1,269,656.38
5. Radio service: Army and Navy.....	668,432.15	309,806.62	339,775.22	314,074.60
6. Telegraph and telephone.....	207,857.86	202,600.28	222,237.94	224,936.91
7. Surveying.....	5,727.55	5,851.43	44,326.82	60,237.96
8. Transportation: Army transport and tank lines.....	45,719.57	4,937.07	17,702.09	41,832.15
9. Other.....	1,249,449.14	1,998,750.53	1,979,159.12	638,925.23
Total Sale of Services.....	2,384,665.13	3,195,402.40	3,393,461.58	3,348,436.16
TOTAL SALE OF PRODUCTS AND SERVICES.....	\$4,464,640.54	\$27,306,397.61	\$16,808,863.72	\$8,263,934.41

¹ Other than public domain.

The sale of seal skins and oil also produces a steady income to the government. The receipt from the sale of electric current and water is due largely to the sale of electric current generated at Muscle Shoals. When a definite plan for the lease or operation of this undertaking is adopted, a very much larger income than this will undoubtedly be produced.

The comparatively large item of over a million dollars received from laundry and dry cleaning is due almost wholly to the laundry and dry cleaning plants operated by the War

Department at its various army posts and by the Veterans' Administration.

Under the law the Quarantine Service of the Public Health Service is authorized to charge for its services in fumigating or disinfecting vessels, an operation which as is

SERVICES, CLASSIFIED BY KIND¹

1925	1926	1927	1928	1929	1930
\$199,247.24	\$371,945.41	\$262,616.14	\$301,865.58	\$159,716.33	\$406,332.09
171.20	16.80	183.40	45,457.90	86,071.19	48,134.64
75,002.75	62,394.59	36,147.82	49,670.43	45,388.10	60,838.18
139,238.21	143,619.88	190,751.30	195,063.32	193,846.15	247,572.05
11,494.10	10,113.15	2.90	166.19		
5,583.13	57,969.79	65,407.86	62,969.05	69,920.23	80,552.27
208,367.78	161,029.71	259,996.45	278,885.78	287,833.01	240,777.92
128,045.06	16,667.66	21,008.06	24,507.32	62,607.41	32,029.80
13,900.24	33,378.63	30,449.16	27,447.40	17,947.30	49,167.83
68.75	275.37				
4,400.53	2,600.97	1,454.40	757.66	64,556.16	110,994.02
577,498.00	346,051.27	310,430.68	297,915.26	383,400.41	297,664.59
19,426.16	107,720.48	23,666.87	17,740.80	20,342.97	18,658.80
40.00	978.00			87,302.32	41,114.22
		1,035,272.01	1,216,318.97	416,859.66	636,026.85
5,465,062.84	4,793,550.66	3,167,997.35	2,857,552.08	2,710,494.98	2,591,066.50
6,847,576.08	6,108,322.07	5,405,474.42	5,370,340.74	4,606,785.22	4,863,830.15
177,864.48	205,521.54	227,360.40	233,865.29	243,382.31	255,447.79
73,961.50	73,610.50	78,118.00	53,008.00	70,223.00	87,664.50
633,703.78	623,708.17	642,232.63	537,333.44	559,612.47	556,748.98
2,577,073.49	2,578,654.28	1,353,451.99	1,356,437.89	1,339,573.51	1,347,162.37
250,029.70	200,014.32	149,982.88	123,256.47	101,200.00	111,498.34
244,880.10	286,906.65	238,360.63	301,641.50	34,230.21	333,067.59
8,934.39	6,606.42	7,476.65	4,933.33	16,979.73	8,092.89
4,345.27	9,429.99	13,007.07	45,087.93	11,928.13	8,564.59
743,677.24	387,595.51	321,889.29	246,120.71	216,763.24	522,995.71
4,715,378.92	4,372,107.38	3,031,839.54	2,901,684.56	2,593,921.60	3,231,842.76
\$11,562,955.00	\$10,480,429.45	\$8,437,313.96	\$8,272,025.30	\$7,200,706.82	\$8,005,672.91

seen brings in over half a million dollars a year. The Navy operates a radio service as an aid to controlling the operations of its own fleet. It is permitted, however, to render service to others on the payment of a reasonable charge, something over \$100,000 being received in this way. In like manner the War Department operates a telegraph line running to Alaska which may be used by the public. The item shown under the head of telephone and telegraph represents largely the receipts from the operation of this line.

The Public Domain. As is well known the national government possesses a public domain vast in extent and of almost incalculable value. This domain consists chiefly of the balance of public lands constituting the remainder of a great heritage now under the administration of the General Land Office; the national forests under the administration of the Forest Service; and the national parks and national monu-

15. PUBLIC DOMAIN REVENUES,

	1921	1922	1923	1924
1. Forest Service.....	\$4,426,148.00	\$5,051,444.30	\$5,342,844.61	\$5,251,198.22
2. National parks.....	384,276.18	378,620.63	516,529.86	651,377.06
3. National monuments.....	34.00	34.00	113.00	22.33
4. Naval petroleum reserves, California.....				
5. Mineral leasing acts.....	9,725,716.24	8,337,230.58	8,825,655.60	12,619,155.66
6. Coal mine leases.....	16,559.01	8,871.72	4,599.95	6,002.56
7. Oil and gas royalties.....				
8. Potash royalties and rentals.....	3,291.30	2,825.54	1,958.46	3,792.91
9. Federal Water Power Act, Licenses.....		8,962.22	29,520.58	53,713.42
10. Power permits, General Land Office.....	12,353.19	11,871.28	18,707.31	9,110.61
11. Other.....	79,278.36	68,733.32	32,621.52	53,078.43
Total.....	\$14,647,656.28	\$13,808,593.59	\$14,772,550.79	\$18,647,541.25

¹ Excluding sales of public lands.

ments under the administration of the National Park Service. Included in this domain are many valuable mineral deposits of petroleum, coal, potash, and the like.

Increasing efforts have been made during recent years to administer this public domain, except that part which is dedicated to the public use, as in the case of the national parks and national monuments, so as to produce an income. At the time of the establishment of the Bureau of Forestry it was hoped that receipts from the sale of timber and from

grazing permits would more than pay the cost of administration and produce a net income to the government. This expectation has not been realized, largely due to the heavy expenditures by the Forest Service in the field of research and in the protection of private as well as public forests from fire, and in the making of necessary capital outlays in the way of roads and trails within the forests.

CLASSIFIED BY KIND¹

1925	1926	1927	1928	1929	1930
\$4,999,436.04	\$5,148,542.04	\$5,167,270.40	\$5,458,715.35	\$6,231,288.82	\$6,749,534.84
609,299.22	707,446.35	669,627.56	744,135.10	717,996.30	837,330.51
65.50	3,773.00	31,365.00	56,308.00		
9,192,160.14	8,477,839.02	10,905,424.59	4,836,510.43	2,261,175.70	1,560,266.12
3,076.17	2,392.79	6,670,258.89	4,673,827.55	3,706,463.32	4,783,529.23
		2,145.09	3,827.74	6,612.64	5,713.58
		341,880.95	66,877.96	260,871.89	80,241.39
5,216.52	5,791.94	3,634.21	7,425.58	11,448.75	13,766.76
129,448.48	244,985.11	286,718.82	307,040.30	347,466.81	476,818.08
9,581.66	12,918.39	17,484.25	42,842.61	12,280.66	34,844.47
8,938.35	61,164.58	33,941.49	16,168.96	83,537.74	54,888.11
\$15,047,222.07	\$14,754,553.22	\$24,130,078.25	\$10,263,679.58	\$13,639,142.63	\$14,546,933.09

There can be no question, however, that it is desirable that unceasing efforts should be made to make this domain a source of revenue sufficient in amount at least to meet all expenditures in caring for it and ultimately to be productive of an income. It has been thought desirable, therefore, that an effort should be made to segregate and show in one place all receipts from the public domain. Table 15 shows the result of this effort. In presenting the data, however, only the main classes of receipts have been separately indicated.

CHAPTER VIII FEDERAL NON-REVENUE CLASSIFIED BY SOURCES

It has been brought out in the operating statement, Table 5, that the national government receives a large income from

16. FEDERAL NON-REVENUE,

	1921	1922	1923	1924
1. Borrowings.....				
2. Realization Upon Treasury Assets				
1. Foreign government obligations....	\$83,678,223.38	\$49,114,107.46	\$31,656,907.64	\$61,069,695.13
2. Germany: Cost of army occupation....				
3. Germany: Reparations.....	11,154,467.22	4,403,655.52	344,663.88	(~) 2,664.14
4. Railroad companies: Obligations ¹ ..		162,446,269.08	44,589,382.43	94,430,864.82
5. War Finance Corporation.....				
6. U. S. Grain Corporation.....	100,000,000.00	25,000,000.00		
7. Sugar Equalization Board.....				
8. U. S. Housing Corporation.....	97,032.33	80,789.47	1,561,975.93	713,628.37
9. Hoboken Manufacturers Railroad Company.....				
10. Federal Land Banks: Stock.....	954,835.00	1,057,830.00	2,556,775.00	1,100,570.00
11. Federal Land Banks: Bonds.....		44,400,000.00	36,750,000.00	
12. Farmers' seed and feed loans.....		631,967.90	1,389,456.84	226,702.79
13. Other.....	4,817.83	4,302.22	131,839.67	15,761.50
Total Realization Upon Treas- ury Assets.....	195,889,375.76	287,144,922.25	118,981,001.39	157,554,518.47
3. Sale of public domain.....	1,908,691.87	995,238.17	1,308,613.14	1,707,115.30
4. Sale of other land, buildings, and equip- ment.....	1,278,063.85	565,097.74	4,475,657.82	289,639.86
5. Sale of war supplies.....	183,933,740.79	80,352,497.01	78,052,239.24	44,578,126.22
Total.....	\$383,009,872.27	\$378,057,755.17	\$202,817,511.59	\$204,129,399.85

¹ See comment on page 60.

sources not constituting revenue, properly speaking. It is of interest to determine the sources from which this non-revenue is derived. This is done in Table 16.

The primary classification here employed is the five-fold one into: (1) Borrowings, (2) Realization upon Treasury Assets, (3) Sale of Public Domain, (4) Sale of other Public Land, Buildings, and Equipment, and (5) Sale of War Supplies.

Provision is made for the item, Borrowing, although during the period covered no debt was incurred. There were,

of course, large debt operations during this period in the way of the issue of securities for the refunding of maturing obligations which were not retired through the operations of the sinking fund or the application of surplus money standing to the credit of the General Fund balance. As the net result of these operations was in each year a reduction of debt, no resort was had to borrowings to meet the non-debt financial obligations of the government.

In this connection it is a matter of no little interest to

CLASSIFIED BY SOURCE

1925	1926	1927	1928	1929	1930
\$23,247,609.07	\$34,968,089.17	\$45,845,438.43	\$47,921,929.35	\$38,948,651.13	\$97,634,287.76
14,728,154.40		8,919,849.17			
158,215,352.13	35,615,280.38	69,708,400.42	13,937,866.07	13,498,355.88	10,154,850.51
499,000,000.00			154,374,520.57	11,913,256.39	8,113,475.47
				990,000.00	
		5,000,000.00	115,419.98		
1,614,391.10	363,992.77	843,945.51	65.36		
			425,000.00		
472,455.00	332,605.00	338,432.00	286,308.00	173,671.25	90,509.50
13,000,000.00	28,410,000.00	60,495,000.00			
288,062.21	85,607.60	37,018.00	36,323.23		4,371,068.98
31,515.57	16,802.28	14,118.83	112,491.40	13,848.16	378,569.48
710,592,629.48	99,782,977.20	191,202,201.86	216,909,923.96	65,536,782.31	120,742,261.70
1,454,688.20	1,556,856.26	1,335,547.91	967,475.59	1,242,680.65	1,210,945.98
616,741.29	6,246,792.05	3,841,431.82	3,005,240.57	5,559,095.40	3,838,013.41
16,256,346.79	13,838,534.20	8,686,835.90	2,967,648.24	2,981,334.53	1,983,119.30
\$728,920,405.92	\$121,425,159.71	\$205,066,017.49	\$223,850,288.36	\$75,319,892.89	\$127,774,340.39

point out how the national government, in marked contrast with the policy pursued by many if not most of the states and cities, has adopted the "pay-as-you-go" plan in respect to capital outlays. It has, with few exceptions, been the policy of the national government to meet all of its financial requirements for capital outlays as well as for current expenses out of current income; this, notwithstanding the fact that it makes very large expenditures for public works and even such large projects as Muscle Shoals, the Hoover Dam, and the Mississippi River control. Even in respect to

the non-recurring capital outlays represented by the construction of the Panama Canal, the expense involved was to a very large extent met out of current income and only to a relatively small extent through the issue of bonds.

As is pointed out in our consideration of the financial condition of the government, the national government, largely as a result of operations growing out of the war, acquired assets in the form of interest-bearing securities amounting in the aggregate to over ten billions of dollars. These assets are termed "treasury assets" in order to distinguish them from the other assets of the government in the form of fixed property and the like. These assets not only produce an important revenue income in the form of interest but they also have been steadily realized upon through sale or through redemption by the debtors. It is a matter of considerable interest to note the character of the assets that have thus been disposed of.

The non-revenue income derived from sale of public domain it is thought is of sufficient interest to be shown separately. The same is true of the non-revenue income derived from the sale of the vast accumulation of war supplies acquired for the prosecution of the late war.

Turning now to an examination of this statement it will be seen that much the most important items figuring in it are Realization upon Treasury Assets and Sale of War Supplies. Receipts from the latter item, which were large in the first two or three years, have naturally tended to decline, until in 1930 they amounted to not quite two million and will probably amount to a constantly diminishing sum during the next few years. The income from the sale of treasury assets has been large throughout the period. The assets in the form of interest-bearing securities acquired by the government are, however, by no means limited to those given by these governments as evidence of their indebtedness. Hundreds of millions of dollars were advanced to the railroads. For these advances the railroads gave the government their bonds bearing for the most part 6 per cent interest. Discretion was vested in the Secretary of the Treasury to sell these bonds to the public whenever this could be done advantageously or to accept repayment by the

railroads whenever they were in a position to do so through the issue of other securities at a lower rate or the application of funds otherwise secured. This class of securities has now been largely realized upon, and no very important income from it will accrue in future years.

It will be noted that during the ten-year period covered by the statement important sums were realized upon the liquidation of the assets of corporations set up as a feature of our war operations. Large sums were, for example, turned over to the War Finance Corporation to be used by it in making loans that would assist in the prosecution of the war. In 1925 this corporation was practically liquidated and it returned to the General Fund of the treasury the large sum of \$499,000,000. In 1921 and 1922 the operations of the United States Grain Corporation were likewise practically liquidated with the result that it returned to the general treasury the sum of \$100,000,000 in 1921 and \$25,000,000 in 1922.

As has been pointed out, the national government in providing for the organization of a system of Federal Land banks to minister to the credit needs of the agricultural classes, assisted in the financing of these institutions through the purchase of their stocks and bonds. The investments thus made have been steadily liquidated during this period, with the result that the government has received a large income from the realization upon these assets.

Other items appearing under the heading of realization upon treasury assets by sources are self-explanatory and need little comment. In conclusion, it may be pointed out that many of these items which have been of importance during the ten-year period covered will be of relatively little importance in the future, the only really important item for the future being the payment by foreign governments of their obligations in accordance with the refunding arrangements made with them and the amortization by Germany of the sums due the United States in accordance with the two items of army costs of occupation and reparations. A final settlement of the amount due and the annual payments to be made in accordance therewith was made and approved by act of Congress in 1930.

CHAPTER IX

FEDERAL INCOME CLASSIFIED BY ORGANIZATION UNITS

Data regarding the sources from which the government derives its income represent only part of the information that it is desirable to have regarding this feature of the government's financial operations. All, or practically all, government services produce a certain income, even if it is derived from no other source than that of the sale of surplus property no longer needed. A very considerable number of services, however, produce an important income which at times equals, if it does not exceed, the total cost of their maintenance and operation. As has already been pointed out, the Patent Office, for example, takes in an income in the form of fees to an amount exceeding its entire cost of operation, and the same is largely true of the State Department, which receives, in the way of passport and consular fees, a sum that goes a long way toward meeting the total cost of its operation, including the maintenance of its field establishment, the Foreign Service. The courts also produce a sum running into the millions of dollars in the form of fees, fines, and penalties, while many other services receive large sums from the sale of their products or services. These receipts may be deemed to be in the nature of offsets against the cost of operating the services producing them. It is a matter of no little interest, therefore, to know the amounts received in this way and the sources from which they are derived, both as furnishing essential information regarding their operations and as making it possible to determine the net, as distinguished from the gross, cost of maintaining and operating the several services of the government. With information of this kind available it would be possible to prepare for each of the several services of the government a statement corresponding to the statement

of operations of a private undertaking, that is, one that would show in a summary way both receipts and expenditures, and by a balancing of one against the other reveal the net results from a financial standpoint of operations.

Unfortunately, the government has not kept its income accounts in such a way as to permit of the preparation of such statements in so far as the individual bureaus and other agencies of the government are concerned. In recording receipts and indicating the services responsible for them, the farthest that the government has gone, in many cases, is to indicate the departments and independent establishments from which these receipts were derived. All that can be done here, is to present an analysis or classification of federal income by the grand organization units of departments and independent establishments. In the statement that follows, Table 17, there is given the total income of the government, regardless of the source from whence derived, classified by the grand branches of the government and, for the administrative branch, further classified by departments and independent establishments.

This statement, as will be seen, gives only the total income taken in by the several branches and administrative departments and establishments, without indicating the character of the income, that is, whether revenue or non-revenue, or the sources from which each of such classes of income is derived. To furnish the latter data would require an additional statement for each branch and administrative department and establishment. For present purposes, it is deemed sufficient to make such a showing, for illustrative purposes, for a single department, selection for this purpose being made of the Department of the Interior. This is done in Table 18.

From this table it will be seen that the Department of the Interior produces by no means a negligible sum in the way of an income which goes that far toward offsetting the cost entailed by its maintenance and operation. Much the most important source of that income is the public domain.

17. FEDERAL INCOME,

	1921	1922	1923	1924
1. Legislative Branch.....	\$5,289.92	\$9,778.59	\$3,844.30	\$3,411.83
2. Judicial Branch.....	4,442,075.88	5,213,018.41	6,736,750.95	8,786,869.13
3. Executive Branch.....	1,395.91	163.69		
4. Administrative Branch				
1. Department of Agriculture.....	4,779,156.27	7,649,485.03	8,789,311.45	8,528,698.88
2. Department of Commerce.....	4,222,376.06	3,495,761.98	3,981,813.77	3,616,173.93
3. Department of the Interior.....	14,762,034.72	11,512,736.40	12,689,682.04	16,565,435.01
4. Department of Justice.....	170,659.74	139,361.16	189,154.05	200,738.61
5. Department of Labor.....	7,111,663.18	3,661,509.46	5,256,892.07	6,872,519.07
6. Navy Department.....	11,628,136.07	37,206,892.12	18,191,427.48	20,659,969.14
7. Post Office Department.....	6,887,526.76	8,062,446.30	7,736,570.98	8,284,786.80
8. Treasury Department.....	5,203,978,131.84	3,878,802,577.97	3,405,316,066.55	3,594,651,078.32
10. War Department.....	195,194,939.23	129,340,248.99	96,065,425.01	40,669,139.51
11. Independent Establishments.....	12,762,228.38	3,836,067.26	3,123,123.81	2,959,873.20
Total Administrative Branch.....	5,461,373,182.25	4,083,697,036.67	3,560,739,467.21	3,643,008,411.87
GRAND TOTAL.....	\$5,465,821,943.96	\$4,088,919,997.36	\$3,567,480,062.46	\$3,651,798,692.83

* See Table 28.

18. INCOME, DEPARTMENT OF THE INTERIOR,

	1921	1922	1923	1924
1. Revenues				
1. Taxes.....				
2. Interest, dividends, and exchange.....	\$247.08			\$12.32
3. Fines and penalties.....				
4. Fees.....	1,842,943.22	\$1,228,758.48	\$916,990.75	763,680.25
5. Permits, privileges, and licenses.....	3,201.00	1,603.00	2,209.00	2,879.00
6. Forfeitures.....	506.75	4,195.76	2,013.78	3,718.85
7. Assessments.....	325,639.31	296,892.78	326,879.40	565,137.01
8. Reimbursements.....	1,833.50	4,900.00	1,474.79	4,264.19
10. Sale of government property and miscellaneous equipment.....	101,624.65	102,249.79	66,794.27	92,726.17
11. Sale of services.....	15,053.35	13,912.00	53,817.66	70,333.55
12. Rent of public buildings, grounds, and property.....	80,793.71	57,349.35	10,813.65	11,205.10
13. Public domain receipts.....	10,221,508.28	8,808,187.07	9,460,183.90	13,342,629.61
14. Mint receipts.....				
15. Other miscellaneous receipts not classified as to source.....				
Total: Revenues.....	12,793,342.85	10,517,548.23	10,781,068.90	14,856,686.10
2. Non-Revenues				
1. Borrowings.....				
2. Realization upon treasury assets.....				
3. Sale of public domain.....	1,908,691.87	995,238.17	1,308,613.14	1,707,115.30
4. Sale of other land, buildings, and equipment.....				1,633.61
5. Sale of war supplies.....				
Total: Non-Revenues.....	1,908,691.87	995,238.17	1,308,613.14	1,708,748.91
Total: Income.....	\$14,702,034.72	\$11,512,786.40	\$12,089,682.04	\$16,565,435.01

FEDERAL INCOME

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CLASSIFIED BY ORGANIZATION UNIT

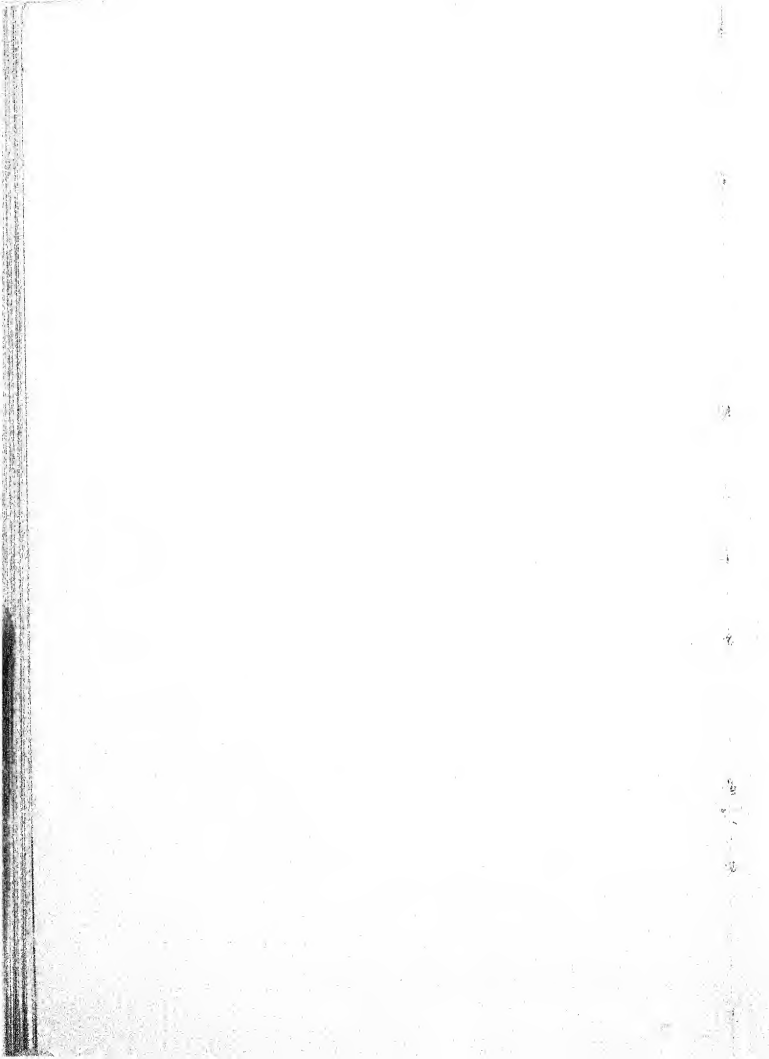
1925	1926	1927	1928	1929	1930
\$7,319.84	\$8,271.91	\$3,163.81	\$4,474.77	\$2,319.02	\$179,961.74
8,287,664.23	8,830,285.20	7,588,467.80	8,046,991.11	7,464,562.63	7,443,202.39
17.71	34.14	20.26	830.51	433.29	2,309.92
8,041,581.85	7,874,890.14	7,532,064.86	7,802,945.21	8,836,792.42	13,878,421.84
3,932,639.39	4,237,950.39	4,318,098.70	4,568,254.02	4,601,600.00	4,944,557.90
12,377,354.85	11,835,577.05	10,350,326.41	8,596,881.48	8,774,857.13	10,579,102.48
207,098.18	373,251.68	396,649.49	338,483.20	466,828.03	373,768.01
5,319,218.98	4,826,202.43	5,335,123.96	5,148,749.39	4,661,433.32	5,746,063.22
15,988,952.97	13,061,291.68	24,863,157.65	21,496,921.45	7,610,585.13	8,078,288.29
7,698,786.33	8,920,886.75	9,478,052.02	8,546,172.76	7,933,095.45	7,885,867.91
3,837,853,361.88	3,496,510,814.04	3,731,567,150.83	3,587,179,136.32	3,635,236,840.79	3,750,652,175.01
39,600,862.18	28,362,868.36	26,558,903.74	30,666,750.45	24,264,618.54	20,964,092.24
4,523,673.34	4,572,106.20	7,291,746.04	3,637,924.84	5,275,416.22	6,282,743.35
3,935,544,129.95	3,581,505,868.69	3,827,091,883.70	3,677,982,224.72	3,707,602,069.03	3,888,385,110.23
\$3,943,839,130.73	\$3,590,344,459.94	\$3,835,283,535.57	\$3,686,034,521.11	\$3,715,129,382.97	\$3,840,010,584.30

CLASSIFIED BY CHARACTER AND SOURCE

1925	1926	1927	1928	1929	1930
	\$330.00				\$6,307.08
\$704,384.17	615,492.31	\$760,621.16	\$576,826.56	\$764,996.26	720,340.71
2,390.54	9,901.50	1,034.41	1,758.19	11,408.97	10,911.40
195,062.05	221,338.68	264,361.90	1,301,161.54	1,748,872.70	877,680.72
345.00	37.58	7,036.31	50,595.48	31,345.46	1,773,707.74
69,730.26	40,543.80	92,388.94	78,178.53	100,885.47	152,421.09
14,467.80	9,647.68	9,095.55	5,370.23	43,757.07	33,449.29
11,412.77	11,403.77	8,684.75	3,905.76	23,398.03	30,512.53
9,918,337.55	9,361,026.07	7,770,664.44	5,611,413.50	4,799,211.30	5,760,314.05
10,016,130.20	10,278,720.79	9,013,887.46	7,629,209.89	7,523,870.26	9,365,644.56
1,454,688.36	1,556,856.26	1,335,547.91	967,475.59	1,242,680.65	1,210,945.95
6,536.29		891.04	196.00	8,306.22	2,511.04
1,461,224.65	1,556,856.26	1,336,438.95	967,671.59	1,250,986.87	1,213,457.92
\$12,377,354.85	\$11,835,577.05	\$10,350,326.41	\$8,596,881.48	\$8,774,857.13	\$10,579,102.48

To furnish the information that is really desirable, statements such as this should be prepared for the individual services going to make up the departments and should show not only the general classes of sources from which the income is derived but also the specific items going to make up the totals by general classes.

PART IV
FEDERAL EXPENDITURES



CHAPTER X

FEDERAL EXPENDITURES CLASSIFIED BY CHARACTER

It will be remembered that in Part II, dealing with the Operating Statement, federal expenditures were carefully segregated from federal disbursements by eliminating payments having to do with trust funds and the District of Columbia, and were then further broken down into expenditures representing Governmental Costs and those representing Non-governmental Costs, the first of these items being still further classified into those denominated "general" and those entailed by the conduct of "special business enterprises."

Taking up the story from this point, it is desirable to make a still further analysis of the important facts regarding federal expenditures and governmental costs there brought out. This consists in distinguishing between that part of General Governmental Costs that is due to the Cost of Operating the Government Proper, that is, that which is entailed in operating the government as an administrative mechanism and in performing its varied activities other than the conduct of special business enterprises, and that part that represents Other Government Costs, that is, such costs as the payment of interest on the public debt, the payment of pensions, the payment of moneys to other public bodies to aid them in meeting their obligations, and the like.

The importance of making this distinction must be evident. It may well happen that, due to the greater liberality of the government in the way of granting pensions, grants in aid to the states, and the like, the total cost of government may be increasing, while, due to retrenchment in the scope of the operations of the government, or greater economy in the dispatch of business, the cost proper of operating the government may be decreasing. Conversely, there may be an apparent decrease in the total cost of government due to a

reduction in the interest charges or the dwindling of the pension rolls while, on the other hand, the cost proper of operating the government may be increasing as the result of expansion of the scope of the activities of the government or a failure to use efficient methods of administration.

An additional reason for segregating and showing separately the cost proper of operating the government, from that of other governmental costs, is that only as this is done is it possible to locate responsibility as between the legisla-

19. FEDERAL EXPENDITURES.

	1921	1922	1923	1924
1. Governmental Costs ¹				
1. General				
1. Cost of operating the government proper.....	\$1,534,039,419.47	\$1,111,181,266.87	\$954,211,396.68	\$935,070,419.15
2. Other governmental costs.....	1,729,670,791.14	1,868,763,545.35	1,896,687,790.34	1,711,413,493.36
Total General.....	3,263,710,210.61	2,979,944,812.22	2,840,899,187.02	2,646,483,912.51
2. Special Business Enterprises.....	642,388,593.13	184,939,635.64	98,054,906.59	45,335,870.66
Total Governmental Costs.....	\$3,906,098,803.74	\$3,164,884,447.86	\$2,938,954,093.61	\$2,691,819,783.17
2. Non-Governmental Costs				
1. Reduction of debt.....	\$422,113,000.00	\$908,816,192.31	\$613,674,342.95	\$1,008,894,375.87
2. Investments.....	441,815,355.65	46,719,424.12	54,066,461.57	25,361,002.14
Total Non-Governmental Costs	863,928,355.65	955,535,616.43	667,740,804.52	1,124,255,378.01
TOTAL FEDERAL EXPENDITURES.	\$4,770,027,159.39	\$4,120,420,064.29	\$3,596,694,898.43	\$3,816,075,161.18

¹ Includes Civil Service Retirement Fund transfers, all years.

tive and administrative branches for economy and efficiency in the conduct of public affairs. A chief executive may deserve great credit for the enforcement of rigid economy in the expenditure of public funds, while the results of his efforts may be more than counterbalanced by increased liberality on the part of the legislature in the way of the grant of pensions, financial aid to states, and otherwise. If only the total cost of government is shown, the results of the efforts of the chief executive are not revealed.

In making this segregation it is necessary, in many cases, to analyze the expenditures of the individual operating services. The distinction must thus be made between the cost of operating the Bureau of Pensions and the money paid out by that service in the form of pensions; the cost of

operating the Veterans' Administration and the payments made by it for the relief or aid of veterans; the cost of operating the Federal Board for Vocational Education, and the payments made by it in the form of grants in aid to the states for vocational and other educational work, etc.; the cost of operating these several services constituting a part of the Cost of Operating the Government Proper, and the payments made by them constituting a part of Other Governmental Costs.

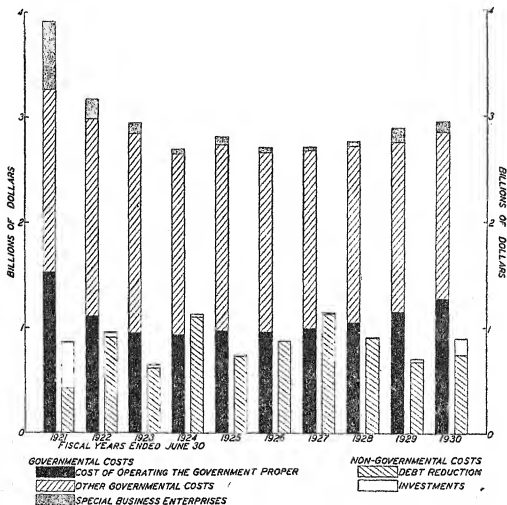
CLASSIFIED BY CHARACTER

1925	1926	1927	1928	1929	1930
\$969,291,748.00	\$962,661,305.25	\$995,214,215.45	\$1,049,691,414.63	\$1,149,565,245.92	\$1,274,850,467.85
1,758,430,117.21	1,694,148,080.81	1,681,295,829.23	1,666,916,595.99	1,604,941,261.06	1,571,672,752.42
2,726,721,865.21	2,656,809,386.06	2,676,510,044.68	2,716,608,010.62	2,754,506,506.98	2,846,523,220.27
78,365,510.49	48,913,718.75	32,817,791.65	45,248,123.41	132,166,901.13	98,067,135.26
\$2,605,087,375.70	\$2,705,723,104.81	\$2,709,327,836.33	\$2,761,856,134.03	\$2,886,673,408.11	\$2,944,590,355.53
\$734,619,101.59	\$872,977,572.71	\$1,131,309,383.34	\$907,613,730.42	\$673,204,717.33	\$745,778,652.67
1,500,000.00	.....	3,500,000.00	1,000,000.00	81,447,685.12	156,230,141.00
736,119,101.59	872,977,572.71	1,134,809,383.34	908,613,730.42	704,652,402.45	902,014,793.67
\$3,541,206,477.29	\$3,578,700,677.52	\$3,844,137,219.67	\$3,670,469,864.45	\$3,591,325,810.55	\$3,846,605,149.20

Making this distinction, it is possible to present a grand summary of federal expenditures under a number of highly significant categories. This is done in Table 19.

This statement is one of the most informative of all the statements given in this study. In it, the total expenditures of the national government are subjected to analysis for the purpose of showing their fundamental character in a way never previously attempted. Its importance can be appreciated by examining the analysis for any one year. Taking that for the last year shown, 1930, for example, it will be seen that while the total of federal expenditures for that year amounted to \$3,846,605,149.20, only \$2,944,590,355.53 of this sum constituted Governmental Costs, the remainder, \$902,014,793.67, being Non-Governmental Costs in the form

of \$745,778,652.67, Reduction of Debt, and \$156,236,141, Investments. Moreover, of this sum of \$2,944,590,355.53 constituting Governmental Costs, only \$1,274,850,467.85 went for the Cost of Operating the Government Proper. Other Governmental Costs, in the form of payments of interest on the public debt, pension payments, grants-in-aid to states and territories, etc., accounting for \$1,571,672,-

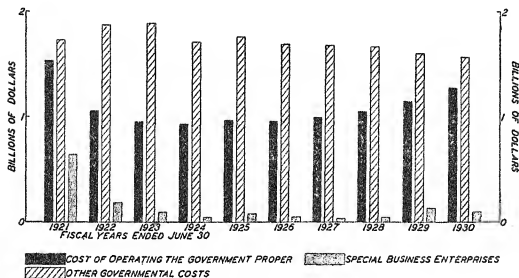


7. FEDERAL EXPENDITURES
(From Table 19)

752.42 and the financing of the capital requirements and deficits of "special business enterprises", for \$98,067,135.26. Especially significant is the fact thus brought out that the class of expenditures represented by Other Governmental Costs exceeded by a considerable figure, \$296,822,284.57, the entire "cost of operating the government proper," and by

a still large figure, \$198,755,149.31, the combined cost of operating the government proper and the financing of special business enterprises.

As regards changes that have taken place during the ten-year period covered, attention has already been called, in our comments on the Operating Statement, to the favorable showing in respect to keeping down both the total of federal expenditures and the total of governmental costs, both of such totals being less in 1930 than the corresponding totals for 1921 and 1922. An almost equally favorable showing is



8. GOVERNMENTAL COSTS
(From Table 19)

made in respect to the item, Cost of Operating the Government Proper. This cost, in 1921, was \$1,534,039,419.47. It was steadily reduced during the ensuing three years, being but \$1,111,181,266.87 in 1922, \$954,211,396.68 in 1923, and \$935,070,419.15 in 1924. Beginning with 1925, however, there is apparent a tendency for this cost slowly to increase, the figure for 1930 being \$1,274,850,467.85, a sum exceeding the low cost of 1924 by \$339,780,048.70. The branches, departments, and bureaus of the government responsible for this increase will be shown in the analysis of cost of operating the government proper by organization units, which will shortly be given.

A very material reduction has taken place during this period in the cost of financing special business enterprises, that cost being \$642,388,593.13 in 1921, \$184,939,635.64 in 1922, and but \$98,067,135.26 in 1930. The large cost in the first two years was primarily due to large deficits of the Railroad Administration and the Merchant Fleet Corporation. These deficits became much less in succeeding years due to the progressive liquidation of these enterprises. The cost of all these enterprises together to the general treasury sank to the low figure of \$32,817,791.65 in 1927. The increase in this item since that date has been wholly due to the marked increase in the postal deficit.

CHAPTER XI

COST OF OPERATING THE GOVERNMENT PROPER CLASSIFIED BY ORGANIZATION UNITS

Up to the present time the method of consideration of governmental expenditures may be said to have partaken of a process of elimination, having for one of its objects the segregation from all other disbursements of those expenditures having for their purpose the maintenance and operation of the government proper. Having derived this figure, it is now desirable to subject it to analysis to determine the items entering into it. Fully to bring out the facts that it is desirable to know, this analysis should be made from at least the following standpoints: organization units, functions or activities, and objects. Of these, much the most important is that of showing the cost of operating the government proper by organization units.

For purposes of internal administration, this analysis should be pushed far enough to show the cost entailed in operating each distinct subdivision of a department or service. It is thus desirable to know not only the cost of maintaining and operating the Bureau of Lighthouses but also that of maintaining and operating each individual lighthouse. From the standpoint of the general public, however, it is hardly necessary to carry this analysis further than that of the primary division of the department—the bureau, in the case of those departments comprehending a number of distinct services, and not much further than the department itself, in the case of those departments, such as State, Justice, and Post Office, which are of a unifunctional character. Such an analysis is given in the tables that follow.

In considering these tables certain features should be borne in mind.

The first of these, as has already been pointed out, is that the cost therein indicated of operating the several services

includes all expenditures made by them in carrying on their activities, exclusive of payments such as those for pensions, grants-in-aid, and the like, whether such expenditures are for current operation or capital outlay. The cost shown for the Bureau of Lighthouses, for example, includes not only the cost of operating the lighthouse establishment but also the cost of construction of all new lighthouses. It would, of course, be of great value to make the distinction between expense and outlay, as recognized in all proper commercial accounting, in stating the cost of each organization unit. Unfortunately, this cannot be done for these organization units taken individually, though it can be done for the government as a whole. On May 11, 1922, the General Accounting Office issued its Bulletin No. 1, directing all government services to keep their accounts so as to distinguish their expenditures according to character and objects as set forth in the Bulletin. This classification provided for the recording and reporting of all expenditures under the five main heads of: Current Expenses, Fixed Charges, Acquisition of Property, Payment of Debt, and Capital Outlay for Rights and Obligations, and for a further itemization of expenditures by a prescribed classification of "objects" and other significant heads. This classification is the one used in the budget in presenting the details of expenditures as supporting data for appropriations recommended to be made. One of the general tables contained in the budget also gives the total expenditures of the government as a whole according to this classification. From it, one can thus determine, for the government as a whole, the proportion of expenditures going for "expense" and that for "outlay." But the same information is not presented for the operating services individually.¹

A second point to be noted is that the classification of organization units by branches of the government—Legislative, judicial, executive, and administrative—departs in certain cases from that employed in the budget, appropriation acts, and financial reports, due to the fact that a logical

¹ For a reproduction of this general table for the government as a whole, see Table 30.

classification of organization units has not always been there followed. Thus, for example, the expenditures for the support of the Library of Congress and the National Botanic Garden, and, in earlier years, the total expenditures of the Government Printing Office, have been shown in the official reports under the group heading of Congress, and the expenditures of the judicial establishment under the head of the Department of Justice. It is evident that such a treatment unduly swells the cost proper of the Legislative Branch and fails to show as a separate item the cost of the Judicial Branch. In the analyses here given this faulty method of classification has been corrected.

A third point is that the attempt is made to give the individual cost of separate bureaus only in respect to what may be called bureaus of a functional character. Every department embraces, in addition to these bureaus, a number of services, such as the Office of Chief Clerk, Division of Appointments, Division of Accounts, and the like, which minister to the needs of the several operating services or have to do with the operation of the department as a whole as an institution. The cost involved in operating these services is shown for each department under the head of General.

Finally, note should be taken of the fact that when a service has been transferred from one department to another, as the Patent Office was transferred from the Department of the Interior to the Department of Commerce, the cost of such service throughout the period is shown under the department to which transferred.

Table 20 shows the cost of operating the government proper classified by organization units.

Cost Classified by Grand Divisions. The first interest attached to this showing is probably that having to do with the distribution of the cost of operating the government proper according to its grand divisions or branches. Better to bring out the information on this point there is presented the derivative statement, Table 21, in which are given not only the total expenditures for each of the grand branches of the government, that for the administrative branch being split into the two items of Civil Services and Military

20. COST OF OPERATING THE GOVERNMENT

	1921	1922	1923	1924
1. Legislative Branch.....	\$9,854,454.50	\$9,182,339.16	\$10,221,169.44	\$9,693,468.57
2. Judicial Branch.....				
1. Pay of the judiciary.....	1,666,718.22	1,658,604.47	1,687,093.22	1,885,362.25
2. Court expenses.....	9,299,737.79	9,808,736.87	12,787,584.47	11,248,342.28
Total Judicial Branch.....	10,966,456.01	11,467,341.34	14,474,677.69	15,134,204.53
3. Executive Branch.....	284,068.71	220,832.36	351,864.56	453,801.18
4. Administrative Branch.....				
1. Department of Agriculture:				
1. General.....	9,765,813.54	10,112,391.61	10,397,223.78	11,055,281.43
2. Library.....				51,139.65
3. Office of Information.....	123,156.73	127,110.53	120,233.06	1,707,075.14
4. Office of Experiment Stations.....	3,119,099.70	3,112,451.73	2,994,469.16	1,394,790.78
5. Extension Service.....	1,548,815.77	1,583,596.63	1,487,493.46	1,617,644.63
6. Weather Bureau.....	7,962,026.20	8,947,344.45	8,884,554.06	10,992,997.16
7. Bureau of Animal Industry.....				
8. Bureau of Dairying.....	2,534,830.77	2,572,830.58	3,148,966.23	3,008,185.34
9. Bureau of Plant Industry.....	12,486,626.27	9,672,993.87	13,594,748.33	16,075,395.52
10. Forest Service.....	1,371,525.13	1,238,632.07	1,205,828.15	1,277,485.81
11. Bureau of Chemistry and Soils.....	1,588,801.62	1,648,809.88	1,591,008.03	1,715,155.69
12. Bureau of Entomology.....	746,826.71	756,813.22	727,569.96	771,746.25
13. Bureau of Biological Survey.....	1,658,772.54	1,693,732.42	1,261,447.55	1,440,621.51
14. Bureau of Public Roads.....				
15. Bureau of Agricultural Engineering.....				
10. Bureau of Agricultural Economics.....	2,397,599.53	2,543,025.54	2,487,239.51	2,946,038.16
17. Bureau of Home Economics.....				47,899.95
18. Enforcement of Insecticide Act.....	109,621.67	106,754.40	114,814.05	120,702.82
19. Plant Quarantine and Control.....	657,414.11	747,101.38	644,136.33	639,373.85
20. Enforcement of Grain Futures Act.....		18,192.32	49,677.30	65,458.29
21. Enforcement of Packers and Stockyards Act.....		155,759.76	393,494.34	406,164.53
22. Nitrate plants.....	9,155,873.63 ^s	230,841.68	213,543.29	200,387.26
23. Judgments, U. S. courts.....				
24. Collection of farmers' seed grain loans.....			60,558.22	33,799.53
25. Expenses of Cotton Standards Act.....				
26. Experiments in dairying and livestock production.....				
27. Soil erosion investigations.....				
28. Dairying and livestock experiment stations.....				
29. Mount Vernon Memorial Highway.....				
30. Miscellaneous.....	27,508.54	306.99	52.78	
Total Department of Agriculture.....	55,254,902.45	45,268,988.96	49,376,057.59	55,567,349.30
2. Department of Commerce.....				
1. General.....	2,886,804.91	2,452,189.68	2,417,674.02	2,747,406.79
2. Bureau of Standards.....	1,660,115.76	1,767,392.93	1,778,323.41	1,686,004.56
3. Bureau of the Census.....	6,319,955.53	2,801,945.10	1,783,307.87	1,795,296.20
4. Bureau of Foreign and Domestic Commerce.....	855,858.41	1,167,416.22	1,664,035.23	2,413,431.89
5. Coast and Geodetic Survey.....	1,934,438.85	1,700,987.85	1,908,404.94	1,989,205.37
6. Steamboat Inspection Service.....	986,808.12	856,183.77	842,642.33	877,915.30
7. Bureau of Navigation.....	321,832.82	303,437.19	354,858.01	357,389.72
8. Bureau of Lighthouses.....	9,728,235.48	9,073,053.02	8,768,964.70	8,649,704.85
9. Bureau of Fisheries.....	1,332,106.24	1,161,638.04	1,323,971.30	1,119,073.34
10. Patent Office.....	1,703,025.08	1,880,196.93	2,197,592.04	2,359,154.63
11. Bureau of Mines.....	3,647,988.05	2,307,654.46	4,177,739.65	1,977,238.60
12. Aircraft in commerce.....				
Total Department of Commerce.....	31,378,169.25	25,471,995.19	27,217,414.10	25,971,821.25
3. Department of the Interior.....				
1. General.....	3,255,280.10	2,867,251.83	3,945,205.51	3,113,301.33
2. General Land Office.....	2,983,572.21	3,003,146.98	2,684,181.88	2,673,836.91
3. Geological Survey.....	1,650,275.62	1,611,254.52	1,448,730.10	1,628,551.63

PROPER, CLASSIFIED BY ORGANIZATION UNIT

1925	1926	1927	1928	1929	1930
\$10,841,645.89	\$11,487,330.25	\$15,089,113.99	\$11,937,587.83	\$12,245,723.50	\$14,607,033.46
1,910,507.16 13,065,564.65	2,006,951.65 13,046,678.93	2,033,962.83 12,307,130.73	2,952,899.34 13,700,762.67	2,787,192.34 14,753,230.76	2,832,334.17 15,862,478.50
14,976,071.81	15,053,630.58	14,341,093.56	16,653,662.01	17,540,423.10	18,664,812.67
415,873.73	441,699.23	613,338.91	589,467.19	487,250.03	606,776.30
1,071,996.11 65,069.34 1,006,393.78 329,334.78 1,505,929.02 2,179,217.57 12,573,352.23 412,788.90 3,519,834.67 21,210,745.26 1,735,329.53 1,906,415.57 863,936.06 1,910,558.54	1,038,876.85 71,370.91 1,117,470.11 330,059.82 1,637,037.01 2,413,559.85 12,244,703.36 528,379.94 3,681,041.51 22,446,689.87 906,084.55 2,670,558.82 1,030,625.13 628,637.61	1,059,363.40 80,635.70 1,183,804.02 333,059.43 1,006,060.31 2,544,582.82 12,382,960.99 485,244.00 3,723,562.38 23,387,846.09 1,976,675.86 6,002,867.04 1,010,931.95 434,813.79	1,249,954.72 90,086.35 1,194,365.21 371,547.30 1,673,470.85 2,791,105.11 13,496,707.56 513,653.89 4,080,180.34 23,495,873.38 1,279,106.68 9,087,344.70 1,230,518.83 483,296.14	1,178,393.73 95,866.17 1,067,802.81 397,207.97 1,843,130.92 2,935,965.11 13,860,370.59 543,639.95 4,059,763.38 24,162,339.04 1,383,426.94 2,354,559.54 1,337,652.42 418,854.90	1,187,010.52 100,502.80 1,273,533.41 390,092.17 1,660,046.63 3,360,235.09 15,072,386.58 645,507.60 5,011,238.25 26,199,232.39 1,480,310.70 2,388,185.84 1,577,970.63 170,288.45
4,165,613.96 102,834.60 152,596.38 682,514.65	4,413,397.36 117,305.21 1,291,738.47 700,649.96	4,524,647.78 120,318.69 178,089.32 707,363.79	5,240,226.98 126,663.09 1,311,041.49 1,024,865.22	5,631,490.76 145,885.63 1,530,996.63 3,488,767.04	5,859,640.06 160,619.49 1,553,044.99 8,904,966.77
81,327.41	108,207.07	100,216.07	112,277.46	130,245.65	137,337.60
423,119.07 225,871.30	411,254.31 245,862.94 261,704.06	398,514.60 45,219.70	415,173.20 1,522.52	10,046.41	.....
19,422.33	21,310.48	14,419.11	10,768.77	.....	0,177.95
34,483.32	80,712.30	50,510.11	.....	.....	.....
.....	.....	79,609.18	92,044.79	96,723.06	56,967.54 124,572.03
.....	.....	15,092.05	34,241.46	43,603.84	.....
.....	.....	.....	.....	.....	1,109,590.48 370,443.00
136,970.56	89,120.31	(-)9,402.86	57,902.98	245,328.87	.....
50,377,276.96	58,294,955.41	62,506,574.90	68,463,934.03	67,341,090.96	79,090,396.12
1,027,861.34 1,958,703.57 4,894,009.17	1,027,199.12 1,782,314.61 2,382,141.54	2,013,671.82 1,809,129.06 2,041,920.91	2,381,532.46 2,216,389.05 2,092,558.63	2,777,570.84 2,490,215.18 2,173,399.75	2,073,400.93 2,759,168.14 14,648,226.82
2,718,046.65 2,274,896.31 1,046,100.73 492,763.83 9,426,062.60 1,378,376.17 3,027,918.34 2,784,598.26	2,858,329.68 2,186,854.53 1,032,106.01 524,023.34 9,890,581.86 1,562,503.34 3,765,004.91 2,315,179.50	3,133,909.75 2,243,450.80 974,914.68 521,406.45 10,055,361.85 1,629,759.14 3,018,267.95 2,470,383.04 489,654.43	3,662,339.91 2,227,756.92 1,052,555.15 610,193.69 10,406,224.04 1,922,096.58 2,765,610.40 2,490,555.51 2,497,222.52	4,264,165.09 2,551,526.28 1,150,204.13 339,665.06 11,038,161.06 2,048,310.64 3,280,305.85 3,400,482.84 4,944,593.79	4,751,108.52 2,864,825.44 1,271,010.58 381,601.38 11,525,057.49 2,438,808.12 5,018,934.35 2,427,092.39 6,709,802.64
31,029,337.27	29,326,948.44	30,401,809.88	34,324,974.76	40,552,674.78	56,869,984.80
1,636,885.28 2,869,087.29 1,725,904.47	918,813.00 2,482,493.21 1,896,473.34	870,726.69 2,266,680.65 1,315,925.12	939,885.95 2,207,873.80 1,705,346.34	965,599.99 2,206,054.46 2,140,300.75	1,075,583.04 2,213,247.91 2,138,072.33

20. GOVERNMENTAL COSTS, CLASSIFIED BY

	1921	1922	1923	1924
3. Department of Interior—Continued				
4. Office of Education.....	\$162,301.76	\$157,671.81	\$154,449.09	\$175,248.09
5. National Park Service.....	1,185,424.30	1,530,486.52	1,473,745.27	1,696,305.32
6. Office of Indian Affairs.....	13,557,665.04	12,245,899.44	11,307,315.73	13,072,001.71
7. Bureau of Pensions.....	1,619,053.76	1,655,125.00	2,330,468.87	1,977,474.73
8. Institutions				
1. St. Elizabeth's Hospital.....	1,167,341.10	978,302.50	877,651.00	1,195,758.60
2. Howard University.....	170.00	345,174.23	23,843.63	195,827.86
3. Other.....	379,072.80	224,519.40	394,400.02	274,524.82
Total Institutions.....	1,546,583.90	1,547,996.13	1,295,894.65	1,666,111.38
9. Miscellaneous.....	3,252.11	113,215.24	31,020.98	15,433.53
Total Department of the Interior.....	25,993,438.80	24,735,047.57	24,761,012.13	26,018,265.13
4. Department of Justice				
1. General.....	4,141,615.00	3,602,559.61	4,345,549.41	4,833,981.66
2. Penal Institutions.....	2,468,825.79	2,708,699.37	3,256,147.01	3,051,710.65
Total Department of Justice	6,610,440.79	6,311,258.98	7,601,696.42	7,885,692.31
5. Department of Labor				
1. General.....	1,013,330.82	907,547.36	1,121,599.50	1,133,900.67
2. Bureau of Labor Statistics.....	261,597.95	237,806.71	230,596.65	239,479.10
3. Bureau of Naturalization.....	679,114.36	701,215.98	677,473.23	752,182.71
4. Bureau of Immigration.....	4,402,800.23	3,706,835.08	3,348,911.25	3,553,804.57
5. Children's Bureau.....	258,279.76	254,385.35	282,012.44	348,805.61
6. Employment Service.....	358,626.29	201,119.88	224,149.03	207,013.12
7. Women's Bureau.....	88,289.82	76,028.88	95,369.21	104,499.52
Total Department of Labor.....	7,056,989.33	6,085,539.19	5,981,011.31	6,340,255.20
6. Navy Department				
1. Bureau and General.....	614,780,670.91	424,085,835.51	292,033,608.58	299,854,792.59
2. Naval Observatory.....	54,674.91	78,954.34	92,831.70	88,678.03
3. Marine Corps.....	35,323,697.21	33,950,518.62	30,200,526.86	24,682,509.37
Total Navy Department.....	650,159,043.03	458,115,308.47	322,335,967.14	324,625,974.99
7. Post Office Department ⁵				
8. Department of State				
1. General.....	1,336,476.17	1,108,526.73	1,078,398.28	1,179,972.31
2. Foreign Service.....	6,310,553.49	8,112,074.10	7,221,128.66	7,166,905.49
3. International Bureaus and Commissions.....	407,970.53	355,236.38	419,302.56	464,453.15
Total Department of State.....	8,055,000.19	9,576,437.21	8,718,829.50	8,811,330.91
9. Treasury Department				
1. General.....	33,195,568.79	19,625,575.84	19,900,582.28	18,627,133.54
2. Customs Service.....	11,075,992.32	11,432,973.23	11,651,796.13	12,757,006.61
3. Bureau of Internal Revenue.....	40,380,064.60	41,712,514.38	45,463,711.40	43,431,167.24
4. Bureau of Prohibition.....				
5. Bureau of the Budget.....	5,000.00	116,073.95	143,808.49	138,343.85
6. Office of the Treasurer of the United States.....	1,687,675.46	1,663,419.86	1,605,814.28	1,377,327.24
7. Office of the Comptroller of the Currency.....	239,783.05	285,592.06	264,665.50	270,992.77
8. Coast Guard.....	12,810,056.74	12,157,398.12	10,467,214.60	11,326,401.06
9. Bureau of Engraving and Printing.....	5,679,538.87	5,842,849.51	5,260,504.69	5,705,607.90
10. Secret Service Division.....	364,395.25	404,055.63	415,079.44	422,396.96
11. Public Health Service.....	54,233,208.80	8,096,737.36	9,131,853.66	8,171,556.62
12. Mint Service.....	1,588,375.09	1,207,254.83	1,913,907.51	1,557,468.07
13. Office of the Supervising Architect				
1. Salaries.....	207,409.07	207,190.81	211,102.63	208,565.82
2. Operation and maintenance, Public buildings.....	7,562,398.71	7,812,096.50	7,227,978.07	7,273,805.60
3. Equipment, etc., Public buildings.....				2,286,208.96
4. Construction projects.....	8,170,584.93	10,152,244.82	10,468,489.87	4,445,053.91
Total Office of the Supervising Architect.....	15,960,392.71	24,171,532.13	17,907,570.57	14,213,634.29

CHARACTER AND ORGANIZATION UNIT—Continued

1925	1926	1927	1928	1929	1930
\$211,902.40	\$197,276.01	\$213,645.51	\$216,721.17	\$248,811.03	\$300,038.90
2,586,258.05	3,483,711.70	3,787,808.67	5,217,284.97	6,324,007.57	9,618,293.76
13,560,466.53	14,767,421.15	14,045,966.17	17,529,847.08	18,538,016.80	19,491,273.12
2,192,279.20	2,079,893.87	2,000,605.35	1,937,906.60	1,904,563.86	.....
956,055.91	1,031,821.85	930,829.57	910,168.63	987,952.67	1,530,797.94
46,500.00	149,500.00	452,884.98	373,504.61	248,831.37	335,946.23
492,203.10	471,306.94	277,966.01	293,949.23	130,635.37	119,501.54
1,494,759.01	1,652,628.79	1,661,680.56	1,577,622.47	1,373,419.61	1,986,245.71
29,183.48	62,463.39	129,053.02	53,605.98	45,283.55	4,673.24
26,306,735.71	27,541,174.46	26,792,091.74	31,385,984.25	33,746,627.72	36,827,728.10
4,263,079.13	4,362,916.59	4,333,990.00	4,197,498.14	4,662,858.97	4,901,707.55
4,186,231.96	4,034,275.61	6,023,672.38	6,850,741.06	7,082,636.75	8,574,884.13
8,449,311.09	8,997,192.20	10,349,662.38	11,048,239.80	11,745,795.72	13,476,601.68
679,396.49	641,724.52	759,633.04	721,809.82	766,662.92	804,759.42
277,304.15	277,799.46	292,427.41	297,166.57	353,755.20	407,706.93
778,845.94	745,254.90	734,561.99	736,517.36	848,767.51	1,030,321.98
5,564,195.75	5,468,106.03	6,410,525.90	6,449,068.60	7,594,320.16	8,451,444.26
364,637.05	350,310.39	288,632.26	267,990.57	303,451.42	332,776.96
223,285.28	202,778.33	199,125.49	195,012.01	209,308.80	215,623.02
110,678.52	103,547.31	100,476.41	98,789.66	106,492.44	115,018.11
7,997,344.18	7,789,580.94	8,785,382.50	8,766,414.59	10,178,764.45	11,387,950.68
304,466,426.47	288,939,398.31	300,890,463.36	303,581,039.98	339,303,138.02	348,379,512.35
111,063.65	128,960.93	120,571.89	119,905.60	166,676.07	200,879.87
22,618,842.63	23,633,055.13	23,062,206.36	28,243,006.64	26,462,431.28	26,330,876.88
327,196,327.75	312,701,414.37	324,073,241.61	331,943,952.12	365,932,194.37	374,911,069.20
1,488,626.72	1,289,241.47	1,348,585.92	1,367,372.15	1,578,598.03	1,908,155.13
8,141,109.52	8,178,719.61	8,375,481.93	8,506,337.49	9,620,909.17	10,583,575.48
787,270.22	1,214,346.35	959,667.37	1,110,923.36	1,352,234.61	1,437,190.41
10,417,006.46	10,682,307.43	10,683,735.22	10,984,633.00	12,551,741.81	13,883,921.02
9,479,590.37	7,307,336.09	7,178,817.20	8,403,656.24	7,825,552.17	7,234,172.34
17,036,896.94	17,118,862.50	17,358,870.04	18,007,484.97	21,177,548.71	22,589,548.99
47,549,780.27	45,814,147.46	33,089,505.51	34,481,556.63	33,026,002.35	34,543,745.63
.....	.....	12,329,728.27	13,518,988.18	13,314,338.11	15,252,434.92
172,415.10	167,029.22	167,075.36	161,269.71	182,207.48	182,285.94
1,693,012.11	1,481,610.66	1,546,701.03	1,522,839.42	1,638,429.22	1,814,470.13
272,297.95	279,444.80	277,848.63	283,903.11	302,691.41	341,641.75
26,799,854.65	24,999,526.56	27,917,838.62	27,333,765.62	28,245,188.48	29,285,708.74
6,744,502.15	7,604,230.13	6,963,018.09	6,743,439.19	6,678,119.62	6,218,448.03
470,909.87	467,136.99	453,009.13	496,113.68	533,512.98	662,520.27
9,328,944.39	9,101,509.48	9,149,780.13	9,518,796.04	10,068,815.15	10,373,232.03
1,654,696.95	1,646,247.60	1,549,352.97	1,589,591.90	1,509,955.51	1,600,128.78
268,447.96	271,983.00	333,857.40	347,964.72	365,257.69	379,360.40
9,106,290.19	9,342,701.11	10,069,478.00	10,439,594.09	11,536,192.12	11,478,614.33
2,065,182.74	2,586,550.35	2,435,157.46	2,764,460.82	3,210,742.03	3,813,951.81
3,170,344.31	2,141,000.61	8,735,723.84	7,193,739.89	30,785,366.73	44,106,615.35
14,610,265.20	14,342,235.07	21,564,216.70	20,745,779.52	45,897,568.62	59,778,541.89

20. GOVERNMENTAL COSTS, CLASSIFIED BY

	1921	1922	1923	1924
9. Treasury Department—Continued				
14. National Bank Examiners.....	\$1,609,211.80	\$2,012,345.28	\$2,146,324.10	\$2,243,445.93
15. Federal Farm Loan Board.....	208,416.75	233,787.01	264,266.28	332,669.06
16. Tax Simplification Board.....			5,877.69	1,142.34
17. Sub-Treasuries.....	339,131.27			32,724.58
18. Miscellaneous.....				
Total Treasury Department.....	179,325,811.50	129,562,109.19	126,483,066.62	120,009,160.02
10. Department of War				
1. Military Establishments.....	477,168,553.51	323,303,699.79	277,603,354.66	246,316,577.65
2. Non-Military Establishments.....	27,496,833.99	25,255,754.38	17,649,514.02	18,251,864.25
Total Department of War.....	504,665,387.50	348,559,454.17	295,252,868.68	264,568,441.90
11. Independent Establishments				
1. Permanent				
1. Library of Congress.....	899,392.36	835,899.70	1,118,227.11	1,127,989.80
2. Government Printing Office.....	8,438,230.47	7,108,654.07	3,140,520.66	3,681,623.61
3. Botanic Gardens.....	83,917.14	86,022.66	87,504.92	116,922.56
4. General Accounting Office.....	3,407,596.08	2,577,374.25	3,591,678.73	3,719,648.35
5. Bureau of Efficiency.....	147,163.55	142,317.78	150,981.24	146,927.57
6. Veterans' Administration ¹	9,735,367.52	8,357,752.30	36,825,061.98	46,390,273.45
7. Employees' Compensation Commission ²	168,109.96	150,650.22	137,544.63	150,419.86
8. Civil Service Commission.....	668,272.07	672,601.64	740,641.10	992,725.89
9. Commission of Fine Arts.....	10,705.13	10,658.45	6,538.29	6,170.45
10. Office of Public Buildings and Public Parks of the National Capital.....	2,212,193.59	1,651,714.31	3,196,873.89	2,386,354.14
11. Board of Tax Appeals.....				
12. Interstate Commerce Commission.....	6,170,047.87	5,495,045.32	5,107,810.02	5,166,103.29
13. Federal Radio Commission.....				
14. Federal Reserve Board.....	4,493,633.34	4,456,034.44	2,112,720.42	2,177,680.38
15. Federal Trade Commission.....	1,017,956.10	960,538.36	965,657.36	996,751.65
16. Federal Power Commission.....	21,641.57	37,117.53	25,128.22	38,492.29
17. Federal Board for Vocational Education.....	337,204.88	290,422.32	272,326.68	255,500.46
18. Tariff Commission.....	313,243.72	320,441.55	400,347.04	759,051.89
19. National Advisory Committee for Aeronautics.....	185,908.01	177,625.87	211,835.41	290,806.75
20. Smithsonian Institution.....	705,209.39	721,790.69	769,325.07	732,952.98
21. Railroad Labor Board.....	386,020.75	403,963.91	336,031.17	309,468.40
22. Board of Mediation and Conciliation.....	20,945.97	6,657.20	18.92	
23. Shipping Board ³	370,546.67	782,819.34	1,207,609.53	553,735.68
24. Interdepartmental Social Hygiene Board.....	938,599.92	415,468.16	94,683.54	
25. Alien Property Custodian.....	463,075.40	368,261.03	329,536.59	289,377.15
26. U. S. Geographic Board.....			114.07	1,343.06
27. Federal Oil Conservation Board.....				
28. Personnel Classification Board.....				
29. Federal Farm Board.....				
Total Permanent Independent Establishments.....	41,195,071.46	36,029,640.19	60,848,117.19	70,349,409.07
12. Miscellaneous Temporary Memorials, Monuments, Commissions, etc.....	3,240,185.95	594,973.89	587,643.41	1,041,235.79
Total Independent Establishments.....	44,435,257.41	36,624,614.08	61,435,760.60	71,390,644.86
Total Administrative Branch.....	1,512,934,440.25	1,090,310,754.01	929,163,684.99	911,788,044.87
Total Operating Government Proper.....	\$1,534,039,419.47	\$1,111,181,266.87	\$954,211,396.68	\$935,070,419.15

¹ Includes Salaries, all bureaus, 1921-1924.² Includes States Relations, Experiment Stations, and Home Economics, 1921-1933.³ Includes purchase of nitrate of soda.⁴ Includes administration only. Bureau merged in Veterans' Administration, 1930.

CHARACTER AND ORGANIZATION UNIT—Continued

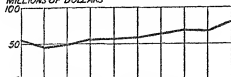
1925	1926	1927	1928	1929	1930
\$2,108,028.45 389,737.76	\$2,204,234.20 453,090.23	\$2,294,183.30 566,170.30	\$2,354,839.80 733,469.69	\$2,407,711.63 906,012.73	\$2,550,791.93 949,462.54
21,277.14	(-)-33,640.40	581,452.36	240,904.88	1,081,268.33	107,544.12
138,326,209.30	132,953,007.19	143,017,567.64	146,136,358.58	174,854,012.55	193,494,688.33
251,133,789.83 14,945,574.69	266,305,462.75 12,370,193.68	264,293,892.98 19,239,871.31	291,492,365.80 19,246,179.65	313,960,614.31 13,253,703.96	325,427,078.08 10,680,808.37
266,079,364.52	278,735,656.43	283,533,764.29	310,738,545.45	327,214,318.27	336,107,886.45
1,407,430.26 1,988,700.97 103,321.61 3,754,292.82 147,687.00 46,750,525.97	1,555,790.48 2,981,796.18 112,583.56 3,711,073.49 154,717.58 42,554,664.47	1,457,234.70 2,471,975.59 129,905.22 3,844,885.37 175,210.77 36,720,251.16	1,718,458.39 2,637,440.61 129,211.43 3,952,989.54 216,311.31 37,986,335.52	2,040,544.53 3,220,429.36 166,714.70 4,131,403.83 214,883.12 40,783,460.65	2,317,844.42 2,712,192.91 176,036.32 4,108,591.64 226,860.97 88,069,561.66
149,346.48 1,000,204.60 5,176.99	147,975.21 1,001,497.00 7,783.22	145,665.45 1,004,801.05 8,054.76	375,085.35 1,150,852.65 7,195.04	507,353.39 1,244,639.86 7,095.69	532,664.83 1,415,846.86 9,028.00
2,445,918.65	2,526,793.17 435,349.75	2,414,575.91 538,132.33	2,446,064.92 663,585.42	2,935,728.04 698,730.38	3,347,083.39 672,777.28
5,949,138.60	5,965,862.28	6,609,454.35	7,147,548.71	7,832,513.64	8,098,758.45
1,676,733.21 964,798.19 31,129.15	2,010,909.76 993,225.17 33,681.96	2,511,543.25 965,797.78 30,864.12	54,036.88 2,050,974.27 984,400.54 32,731.19	286,815.48 2,905,479.71 1,166,582.44 124,419.46	274,085.76 2,832,928.52 1,447,667.48 149,340.82
255,765.03 659,677.45	261,004.25 609,734.89	265,772.50 702,981.40	267,028.85 646,298.78	281,440.48 762,458.54	200,000.00 710,665.15
389,190.17 806,417.31 314,082.08	568,343.96 847,849.26 275,037.37	531,409.06 860,730.19	535,548.78 937,401.23	607,123.15 1,147,988.72	979,691.73 1,170,697.93
5.42 508,730.58	301,370.29	226,671.05 286,851.94	275,828.07	243,343.00	183,022.08
203,165.66 203.78	167,802.06 448.96	159,494.66 3,248.83	34,508.12 4,052.52	1,561.81 4,499.84	13,680.24 9,016.14
				9,846.39	13,595.57
				73,318.64	9,346.81 731,735.55
69,611,642.98	67,225,383.32	62,065,541.44	64,223,978.12	71,378,378.55	120,412,745.41
267,600.35	1,441,125.00	2,952,553.88	2,493,652.90	3,874,345.65	4,478,873.63
69,879,243.33	68,666,508.32	65,018,095.32	66,717,631.02	75,252,724.20	124,891,619.04
942,058,156.57	935,678,645.19	965,170,668.99	1,020,510,667.60	1,119,291,849.29	1,240,941,845.42
\$968,291,748.00	\$969,661,305.25	\$995,214,215.45	\$1,049,691,414.63	\$1,149,565,245.92	\$1,274,850,467.95

⁵ See Table 28.

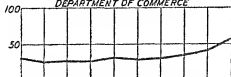
⁶ Includes Foreign Service Retirement Fund transfers, all years.

⁷ Includes administration only.

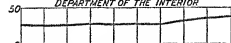
DEPARTMENT OF AGRICULTURE
MILLIONS OF DOLLARS



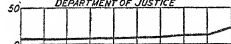
DEPARTMENT OF COMMERCE



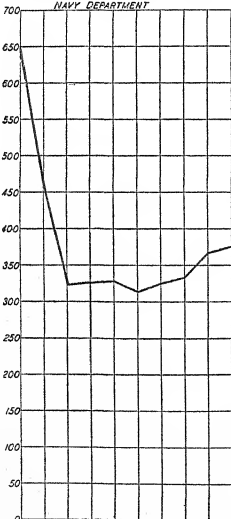
DEPARTMENT OF THE INTERIOR



DEPARTMENT OF JUSTICE

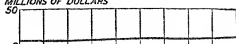


NAVY DEPARTMENT

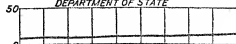


1921 1922 1923 1924 1925 1926 1927 1928 1929 1930
FISCAL YEARS ENDED JUNE 30

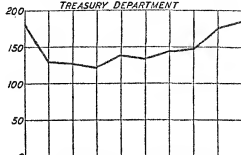
DEPARTMENT OF LABOR
MILLIONS OF DOLLARS



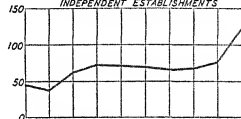
DEPARTMENT OF STATE



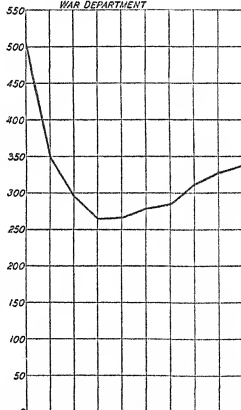
TREASURY DEPARTMENT



INDEPENDENT ESTABLISHMENTS



WAR DEPARTMENT



1921 1922 1923 1924 1925 1926 1927 1928 1929 1930
FISCAL YEARS ENDED JUNE 30

9. COST OF OPERATION PROPER OF ADMINISTRATIVE BRANCH
(From Table 20)

Services but also percentages showing the relation that each item bears to the grand total. The items for Military Services represent the combined cost of the War and Navy Departments after deduction has been made of the cost of the civil activities of the War Department and the cost of maintaining and operating the Naval Observatory by the Navy Department, these excluded items being added to the expenditures of all of the other departments and independent establishments.

Legislative Branch. Taking up the several items contained in Table 21, it will be seen that, though there have been certain ups and downs from year to year, there has been a general tendency for the cost of the Legislative Branch slowly to increase, this cost being \$9,854,454.50 in 1921 and \$14,607,033.46 in 1930. The abnormally high cost for 1927, \$15,089,113.99, was due to an unusual item in that year of about \$3,000,000 for the purchase of land for the enlargement of the Capitol grounds. The increase of 1930 over that for 1929 is likewise primarily due to a special expenditure during that year for the construction of a new office building for the House of Representatives. Even including this item, the cost of operating this branch represents only about 1.15 per cent of the total cost of operating the government proper. By reference to the budget, it will be found that, of the total cost for 1930, \$14,607,033.46, \$5,545,452.96 went for the payment of the salaries and mileage of the members of Congress; \$4,885,759.66 for the salaries of officers and employees; \$2,956,820.63 for the expenses of the Office of Architect of the Capitol, which includes the cost of heating, lighting, and otherwise maintaining and operating the Capitol building and grounds, and the special item of \$1,093,497.38 for the site and construction of an additional House Office Building; \$91,344.50 for the Capitol police, \$58,005.73 for the Office of Legislative Counsel, and the balance for contingent and miscellaneous expenses.

Judicial Branch. In respect to the Judicial Branch, by which is meant the whole system of federal courts, a very marked increase in cost during this period is shown, this increase being from \$10,966,456.01 in 1921 to \$18,694,812.67 in 1930,

or an increase of about 70 per cent. This increase is only what might be expected in view of the greatly added burdens that have been thrown upon the federal courts as agencies for enforcing the prohibition and other regulatory acts that are constantly being put upon the federal statute books. Due to these added burdens and the normal growth of business resulting from the increase in population and industrial activities of the country, constant additions have had to be made to the system of district, or trial, courts and the miscellaneous expenses, in the way of witness fees and otherwise, have unavoidably gone up. In 1930 the cost of this

21. COST OF OPERATING THE GOVERNMENT

	1921	1922	1923	1924
1. Legislative Branch.....	\$9,854,454.50	\$9,182,339.16	\$10,221,169.44	\$9,693,468.57
2. Judicial Branch.....	10,966,456.01	11,467,341.34	14,474,677.60	13,134,204.53
3. Executive Branch.....	284,068.71	220,832.36	351,864.56	453,801.18
4. Administrative Branch				
1. Civil services.....	385,661,518.62	308,970,700.09	329,317,194.89	340,935,065.26
2. Military services.....	1,127,272,921.63	781,340,063.92	599,846,490.10	570,853,379.61
Total Administrative Branch.....	1,512,934,440.25	1,090,310,764.01	929,163,684.99	911,788,444.87
GRAND TOTAL.....	\$1,534,039,419.47	\$1,111,181,266.87	\$954,211,396.68	\$935,070,419.15

branch represented about 1.47 per cent of the total cost of operating the government proper.

Executive Branch. A very considerable increase has likewise taken place during the period in the cost of the Executive Branch, by which is meant the Office of the President, this increase being from \$284,068.71 in 1921 to \$606,776.30 in 1930. The items going to make up these expenditures are the salaries of the President and Vice President, the sum placed at the disposal of the President for expenses of travel, the expenditures of the secretarial and clerical force of the President and the maintenance and operation of the White House and White House grounds. The increase shown is distributed among all of these items, except that of salaries of the President and Vice President. There is undoubtedly a tendency for the President to concern himself more and more with general problems arising

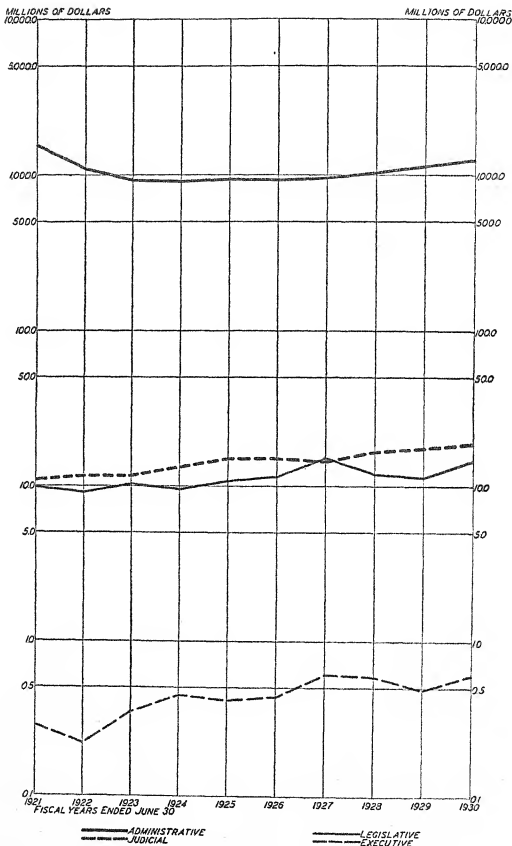
in the conduct of administrative affairs and to keep more closely in touch with such operations. It is due in part to this tendency that the increase in the expenditures of the President's Office is to be credited.

Administrative Branch, Military Services. Turning now to the cost of the Administrative Branch, the importance of the distinction that is made between the costs of the "civil" and "military" services is at once apparent. Taking the two together, it will be seen that, while the combined expenditure, representing the Administrative Branch as a

PROPER, CLASSIFIED BY GRAND DIVISION

1925	1926	1927	1928	1929	1930
\$10,841,645.89	\$11,487,330.25	\$15,089,113.99	\$11,937,587.83	\$12,245,723.50	\$14,607,033.46
14,976,071.81	15,053,630.58	14,341,093.56	16,653,662.01	17,540,423.10	18,694,812.67
415,873.73	441,699.23	613,338.91	589,497.19	487,250.03	606,776.30
363,839,097.64 578,219,058.93	356,740,729.00 578,937,916.19	376,924,106.29 588,240,562.70	397,194,255.18 623,316,412.42	439,565,615.68 679,726,233.61	540,804,378.11 700,137,467.31
942,058,156.57	935,678,645.19	965,170,668.99	1,020,510,667.60	1,119,261,849.29	1,240,941,845.42
\$968,291,748.00	\$962,661,305.25	\$995,214,215.45	\$1,049,691,414.63	\$1,149,565,245.92	\$1,274,850,487.85

whole, has shown a very considerable reduction during the period, being \$1,512,934,440.25 in 1921 and but \$1,240,941,845.42 in 1930, this reduction is wholly due to the reduced expenditures for military purposes by the War and Navy Departments. In 1921 these two departments had not yet completely liquidated their war obligations and returned to a normal peace basis, their expenditures for military purposes being at the high figure of \$1,127,272,921.63. Rapid progress in this direction was made, however, in the three succeeding years, their expenditures for military purposes dropping to \$781,340,053.92 in 1922, \$599,846,490.10 in 1923, and \$570,853,879.61 in 1924. Beginning with 1925, however, there is apparent a steady tendency for this item of expenditures to increase, each year showing something of an advance over the preceding year and reaching the figure of \$700,137,467.31 in 1930.



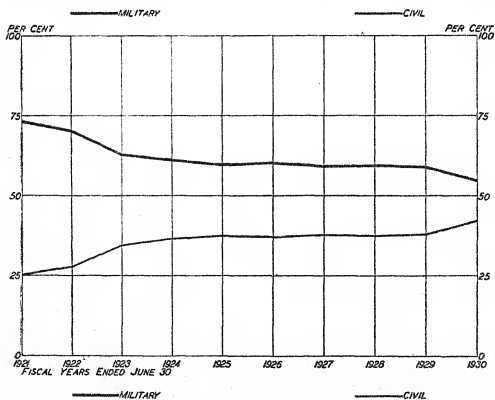
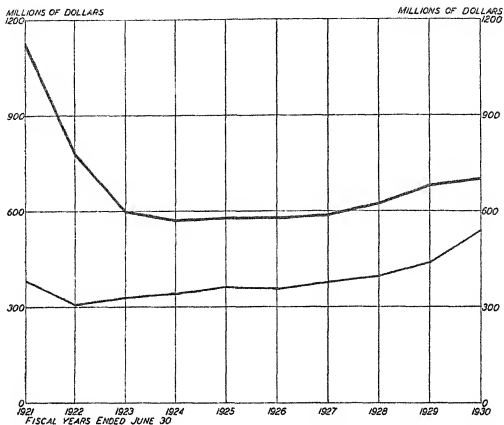
10. COST OF OPERATING THE GOVERNMENT PROPER
(From Table 21)

FEDERAL EXPENDITURES

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222. PER CENT OF TOTAL COST OF OPERATING THE GOVERNMENT PROPER, CLASSIFIED BY GRAND DIVISION

[illegible]



11. COST OF OPERATING THE GOVERNMENT PROPER:
ABSOLUTE (upper) AND RELATIVE (lower)
(From Tables 21 and 22)

Administrative Branch, Civil Services. The cost of operating the government proper as represented by the purely non-military, or civil, services of the Administrative Branch, shows a movement during the period corresponding to that of the military services, though here the decrease in the years immediately following 1921 is not so pronounced and the increase in the later years is more so. In 1921 the cost of these services amounted to \$385,661,578.62. In 1922 it dropped to the low point of \$308,970,700.09. Thereafter, with one slight recession in 1926, it steadily increased, this increase being especially marked in the later years, until it reached, in 1930, the figure of \$540,804,378.11, an increase during the ten-year period of \$155,142,799.49, or about 40 per cent.

Comparison, Military and Civil Services. Probably the most significant points brought out by this statement of the cost of the Administrative Branch, as divided between the military and non-military services, are the relative high cost of the military as compared with the civil services, and the relative low cost of the latter service as compared with the total cost of operating the government proper and the grand total of governmental costs.

Taking the year 1930 as the one most nearly representing present conditions, it will be seen that the cost of the two military services, the War and Navy Departments, after excluding their expenditures for civil works, exceeded the entire cost of operating all the civil departments and establishments by the large sum of \$159,333,089.20. Or stating this in the form of percentages, the cost of the military services in that year amounted to approximately 56 per cent of the total cost of the Administrative Branch and about 55 per cent of the total cost of operation of the government proper.²

² This figure representing the combined cost of the War and Navy Department is, of course, quite different from that having for its purpose to show the total and percentage cost to the government of past wars as well as preparation for possible future wars. Such figures would include interest on the public debt, all of which was incurred for war purposes, repayment of such debt, pensions, and the

Comparison, Civil Services and Total Administrative Branch and Government as a Whole. Equally striking is the comparatively small cost of the operation of the non-military services. In 1930 this amounted to but \$540,804,378.11, or approximately 44 per cent of the total cost of the Administrative Branch and about 42 per cent of the total cost of operating the government proper. If to this is added the cost of maintaining and operating the Legislative, Judicial and Executive Branches, it will be seen that in 1928 the government expended only \$574,929,000.24 in maintaining and operating itself as an institution and in maintaining and operating all of its civil establishments and in performing all of the multifarious activities that are carried on by these establishments in the rendering of services to the public.

In general discussions of the financial operations of the national government, attention is usually concentrated upon the figure, speaking in round numbers, of four billions as the cost or expenditures of the federal government. The budget for 1932, for example, thus gives the figure of \$3,994,152,487.09 as the total of actual expenditures for 1930. It is true that the government paid out in that year the sum specified. Included in this amount, however, are, as has been pointed out, payments on account of trust funds for reduction of debt, investments, pensions, grants-in-aid to the states, etc. Without questioning here the necessity for, or desirability of, these payments, it is nevertheless of importance to recognize that they by no means represent the cost of operating the government proper. One frequently sees the position taken that the great cost of government is due to the insatiable demand of the several services of the government for increased funds in order to permit them to expand their activities; and that, if these services were put upon a more efficient and economical basis, the cost of government could be greatly lessened and the taxpayers' burden correspondingly reduced. The analysis of

like, Consideration of military expenditures from this standpoint will be had where the attempt is made to classify government expenditures from the functional standpoint. See page 176.

the federal expenditures here made has had as one of its major objects to permit of a view of this question of governmental expenditures in proper perspective. It is, of course, highly desirable that every effort should be made to have the work of these several services conducted upon an economical and efficient basis. At the same time it should be recognized that any really important reduction in the total of governmental expenditures; that is, a reduction such as would make possible real relief of the taxpayer, must take place in the class of non-governmental costs, or Other Governmental Costs, meaning costs other than those for operating the government proper, or in the items having to do with the War and Navy Departments with their military and naval establishments, since the total cost of maintaining and operating all of the civil services in 1930 was, as has been seen, but \$540,804,378.11 out of this grand total of \$3,994,152,487.09, or approximately 14 per cent.

Department of Agriculture. With this characterization of the absolute and relative importance of the general elements entering into the cost of operating the government proper, we may now turn again to the detail statement of this cost classified by organization units, as given in Table 20, for the purpose of determining more specifically the costs of the several departments, bureaus, and independent establishments going to make up the Administrative Branch, and the changes that have taken place during the period in such costs.

Taking the departments up in turn, it will be seen that a material increase has taken place in the expenditures entailed in the operation of the Department of Agriculture, the total expenditure of that Department amounting, in 1930, to \$79,090,396.12 as contrasted with \$55,254,902.45 in 1921, an increase of \$23,835,493.67, or approximately 43 per cent. If the item of \$9,155,873.62 for nitrate plants, representing a work undertaken during the war for meeting war needs, for which no corresponding expenditure is shown for 1930, be eliminated from the expenditures of the Department for 1921, the increase in the total of expenditures of the Department is correspondingly augmented. For this

increase, the Forest Service is chiefly responsible, the expenditure for that service increasing from \$12,486,626.27 in 1921, to \$26,199,232.39 in 1930, an increase of \$13,712,-606.12. In considering this large increase, it should be borne in mind that the expenditures of this service, as here reported, cover not only the current expenses of operation but also outlays made for the acquisition of additional land as new national forests or additions to existing reserves. To an increased extent Congress has appreciated the importance of the preservation and development of forests in the United States and has shown its appreciation of this importance by the increased grants made by it for the acquisition of additional forest areas as indicated and also for work in the way of research, the protection of forests against fire, etc.

The Bureau of Animal Industry also shows a materially increased expenditure, the increase being from \$7,962,026.20 in 1921 to \$15,072,386.58 in 1930, or nearly a doubling in the ten-year period. The same is true of the Bureau of Agricultural Economics, whose expenditures increased from \$2,397,599.53 in 1921 to \$5,859,640.06 in 1930. There is difficulty in comparing expenditures for different years as regards a considerable number of the other services due to the fact that during this period a number of material changes in organization and the assignment of duties as among the several services of the Department took place.

Department of Commerce. The Department of Commerce shows an increase in cost from \$31,378,169.25 in 1921 to \$56,869,984.80 in 1930. This increase is in part accounted for by the large expenditures in the latter year of the Bureau of the Census due to the special burden of cost thrown upon it by the taking of the Fourteenth Census. Apart from this, both the greatest absolute and relative increase in cost is that of the Bureau of Foreign and Domestic Commerce, whose expenditures increased over five-fold, or from \$856,858.41 in 1921 to \$4,751,108.52 in 1930. The establishment of the Aeronautics Branch, concerning itself with the matter of aircraft in commerce, also called for an

expenditure of \$6,709,802.64 in 1930 as against no expenditure for this service, which was then not in existence, in 1921. The other services of this Department show only those increases that might be expected as the result of the general increase in the population, industry, and trade of the country.

Department of the Interior. The expenditures of the Department of the Interior increased during this period from \$25,993,438.80 in 1921 to \$36,827,728.10 in 1930. This increase is almost wholly accounted for by the increase that took place in the Office of Indian Affairs, whose expenditures increased from \$13,857,695.04 in 1921 to \$19,491,273.12 in 1930, and in the National Park Service, whose expenditures increased from \$1,185,424.30 in 1921 to \$9,618,293.76 in 1930. The expenditures of the other services increased comparatively little and one service, the General Land Office, showed an actual decrease. The increase in the cost of the Indian Service is in part due to the results of the investigation made of the entire problem of Indian administration.³ One of the facts developed by this survey was the inadequacy of the provision being made by the government for the schooling and welfare of the Indians. This led the Secretary to the Interior to urge increased appropriations for the various activities carried on by the Indian Service on behalf of the Indians, a request which was met by Congress.

Department of Justice. The Department of Justice shows an apparent great increase of cost from \$6,610,440.79 in 1921 to \$22,473,601.68 in 1930. Of this increase \$8,977,000.00 is due to the Bureau of Prohibition, which in 1930 was transferred to the Department of Justice from the Treasury Department. Even with the elimination of this item the expenditures of the Department of Justice would show an increase during the ten-year period of \$6,886,168.89, or something more than a doubling of cost of this department. This is almost wholly accounted for by the increase in the cost of the penal institutions, from \$2,468,825.79 in 1921 to

³ This was made by the Institute for Government Research at the request of the Secretary of the Interior.

\$8,574,894.13 in 1930, an increase largely due to the increase in the penal population of these institutions as a result of the enforcement of the federal prohibition act.⁴

Department of Labor. The expenditures of the Department of Labor have shown a relatively smaller increase than the other departments, such increase being only from \$7,056,989.33 in 1921 to \$11,387,950.68 in 1930, and is almost wholly accounted for by the increase in the cost of the operation of the Bureau of Immigration. The expenditures on account of that service increased from \$4,402,800.23 in 1921 to \$8,481,444.26 in 1930.

Navy Department. The course of expenditures of the Navy and War Departments combined, in so far as their purely military services are concerned, has already been commented upon. Considering the Navy Department alone, it will be seen that a very great reduction in its expenditures took place in 1922 and 1923, the drop being from \$650,159,043.03 in 1921 to \$458,115,308.47 in 1922 and \$322,335,967.14 in 1923. Since then no material change in the total cost of this Department is to be noted, though, beginning with 1927, the tendency for such cost slowly to increase is apparent. The only non-military service of this Department is the Naval Observatory. The expenditures of this service have increased nearly four fold in the ten years, being but \$54,674.91 in 1921 and \$200,679.97 in 1930.

State Department. Expenditures for the support of the State Department and its activities show a steady increase during the period, rising from \$8,055,000.19 in 1921 to \$13,883,921.02 in 1930, an increase of approximately 72 per cent during the ten years. For this increase the Department's field establishment, the Foreign Service, which embraces both the Diplomatic and the Consular Services, is chiefly responsible, though material increases have taken place in

⁴The federal government makes use to a considerable extent of state institutions for the custody of federal prisoners and the figures here given include the payments made to the states for the care of such prisoners. The federal government now has under way a program for the construction of additional federal penitentiaries.

respect to the cost of both the Department proper at Washington and the international bureaus and commissions. The increased cost of the Foreign Service is due in part to the steady putting into execution of the program of acquiring or constructing buildings in foreign cities for the housing of our diplomatic and consular representatives.

Treasury Department. A comparison of the movement of expenditures of the Treasury Department is rendered somewhat difficult by reason of the transfer of certain of its activities to other departments during the period. Thus, the great drop in the expenditures of the Public Health Service, from \$54,233,208.80 in 1921 to \$8,696,737.36 in 1922, was due to the fact that in the former year this service had the administration of the hospitals for, and the rendering of hospital service to, the veterans of the late war, while in 1922 this was turned over to the Veterans' Bureau. Again, prior to 1927, the Bureau of Internal Revenue had charge of the enforcement of the prohibition and narcotic control acts, which duty in that year was entrusted to the Bureau of Prohibition created in the Department for that purpose. Later, in 1930, this bureau was split up into three separate services, the Bureau of Prohibition, the Bureau of Narcotics, and the Bureau of Industrial Alcohol, the first being transferred to the Department of Justice and the other two remaining as separate services in the Treasury Department.

In respect to the other services, the most noteworthy changes are the increases in the cost of the Coast Guard, the Office of the Supervising Architect of the Treasury, and the Bureau of Customs. The expenditures of the Coast Guard show an increase from \$12,810,056.74 in 1921 to \$29,285,768.74 in 1930. This increase has resulted from the strengthening of this service through the addition of several cutters and smaller craft and personnel in order to enable it better to enforce the law against the illicit introduction of intoxicants. The increase in the expenditures of the Office of the Supervising Architect, from \$15,960,392.71 in 1921 to \$59,778,541.89 in 1930, was due to the extensive program of construction of public buildings for the housing

of the government services in and outside of Washington upon which the government has embarked. It is certain that for some years to come a still further expansion of cost under this head will be shown. The doubling of the cost of the Customs Service, from \$11,075,992.32 in 1921 to \$22,589,548.99 in 1930, is to be accounted for by the general increase in the work of that service, though a part of this increase may likewise be charged against the increased duties thrown upon it in respect to the enforcement of the prohibition and narcotic control acts.

War Department. The expenditure of the War Department, as has already been pointed out, after dropping something over \$150,000,000, has remained remarkably constant, being but \$336,107,886.45 in 1930 as against \$348,559,454.17 in 1922. In respect to the item of non-military establishments, it should be borne in mind that this item covers only engineering and construction work for the government itself, the cost of other work in this field, such as that for the improvement of rivers and harbors, flood control, and the like, which is for the benefit of the public being elsewhere shown under the heading of Public Works, one of the items of Non-Governmental Costs.

Independent Establishments. It is when we turn to the group of Independent Establishments, however, that one of the greatest changes in the cost of government is to be found. The total cost of all these establishments combined increased during this ten-year period from \$44,435,257.41 in 1921 to \$124,891,619.04 in 1930. This increase is to be accounted for in part by the creation of entirely new services for the performance of activities for the most part not previously engaged in, the Federal Farm Board, Personnel Classification Board, Federal Oil Conservation Board, and Board of Tax Appeals. A very large part of the increase, however, is due to the increase in the cost of administering the Veterans' Administration, that increase being from \$9,735,367.52 in 1921 to \$88,069,561.56 in 1930. Other increases considerable in amount are those for the Library of Congress, the expenditures for which more than doubled,

being \$899,392.36 in 1921 and \$2,317,844.42 in 1930; the Employees Compensation Commission, which increased from \$168,109.96 in 1921 to \$532,664.83 in 1930; the Tariff Commission, which showed an increase from \$313,243.72 in 1921 to \$710,695.15 in 1930; the National Advisory Committee for Aeronautics, which increased from \$185,998.01 in 1921 to \$979,691.73 in 1930; the Civil Service Commission, which increased from \$668,272.07 in 1921 to \$1,415,846.86 in 1930; and the Interstate Commerce Commission which increased from \$6,170,047.87 to \$8,098,758.45 in 1930. The apparent decrease in expenditures of the Government Printing Office, from \$8,438,230.47 in 1921 to \$2,712,192.91 in 1930 was due to a change in the method of appropriating for this service. Prior to 1923 appropriations were made direct to the Government Printing Office sufficient in amount to meet the cost of all printing bills of the government. In 1923 the changed system was adopted of making appropriations for printing and binding direct to the administrative services for which such work was performed. The figures for this establishment for 1923 and subsequent years represents, thus, the general costs of running this establishment and of executing printing for Congress.

CHAPTER XII

OTHER GOVERNMENTAL COSTS CLASSIFIED BY CHARACTER

"Other governmental costs," as has been set forth, embraces those expenditures which while constituting a part of governmental costs do not have anything to do with the cost of operating the government proper. These costs, while including a wide variety of payments, may be grouped under the following six heads: (1) Interest and Premium on the

23. OTHER GOVERNMENTAL COSTS,

	1921	1922	1923	1924
1. Interest and premium on public debt..	\$999,144,731.35	\$991,000,759.24	\$1,055,923,689.61	\$940,602,912.92
2. Pensions, allowances, etc.....	586,809,069.22	715,231,480.79	671,445,621.02	578,405,679.21
3. Grants-in-aid and surrender of income to states, territories, and depend- encies.....	74,036,485.27	107,332,561.56	90,788,239.33	99,752,770.67
4. Government of territories and depend- encies.....	10,008,669.99	10,662,559.85	10,736,422.91	10,933,817.59
5. Public works.....	59,154,262.98	43,983,632.00	52,225,554.54	76,241,358.86
6. Miscellaneous.....	517,572.33	552,501.81	5,568,262.93	5,476,954.11
Total.....	\$1,729,670,791.14	\$1,868,763,545.35	\$1,836,687,790.34	\$1,711,413,493.36

Public Debt, (2) Pensions, Allowances, etc., (3) Grants-in-Aid and Surrender of Income to States, Territories, and Dependencies, (4) Government of Territories and Dependencies, (5) Public Works, and (6) Miscellaneous.

In Table 23 the payments made during the period covered are itemized under these six heads.

Examining this statement it will be seen that the grand total of Other Governmental Costs, as above defined, has shown something of a tendency to decrease during the ten years covered by the statement, the total of such costs being \$1,729,670,791.14 in 1921 and \$1,571,672,752.42 in 1930. This decrease has been wholly due to the lessened payments made on account of interest and premium on the public debt. This item alone amounted to nearly one billion dollars, or to be exact, \$999,144,731.35, in 1921. Due to the

two operations of repayment of debt and refunding of debt at a lower rate of interest, this charge has steadily diminished until, in 1930, it amounted to only \$659,981,909.95, a reduction of \$339,162,821.40 during the period. This large saving has, however, been largely offset by the mounting costs of other classes. Payments on account of Pensions, Allowances, etc., increased from \$586,908,069.22 in 1921 to \$689,864,441.37 in 1930; those for Grants-in-Aid and Surrender of Income to States, Territories, and Dependencies from \$74,036,485.27 in 1921 to \$105,491,716.55 in 1930; and those for Public Works from \$59,154,262.98 in 1921 to \$98,773,652.36 in 1930. Judging from appropriations made for the fiscal years 1931 and 1932, there is every indication

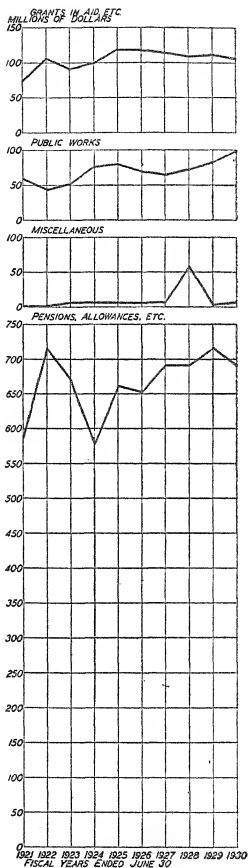
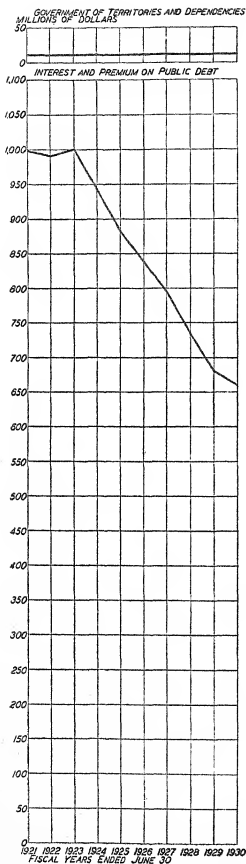
CLASSIFIED BY CHARACTER

1925	1926	1927	1928	1929	1930
\$881,806,662.36 661,525,409.46	\$837,204,873.48 652,250,185.28	\$794,130,822.46 690,014,692.78	\$733,031,486.45 690,379,046.42	\$679,696,480.74 715,539,137.89	\$659,981,909.95 689,864,441.37
118,899,080.29	118,515,518.82	114,299,231.63	108,669,048.12	111,494,895.43	105,491,716.55
10,931,267.34	11,377,205.44	11,264,924.75	11,219,231.49	11,347,669.76	11,345,084.86
79,762,850.34	69,378,023.13	65,624,339.34	72,851,745.03	83,398,415.24	98,773,652.36
5,504,850.42	6,422,272.66	5,961,818.27	50,765,038.48	3,474,632.00	6,215,967.33
\$1,758,430,117.21	\$1,694,148,080.81	\$1,681,295,829.23	\$1,666,916,595.99	\$1,604,941,261.06	\$1,571,672,752.42

that expenditures for these purposes will show a still further increase in years to come.

Pensions, Allowances, etc. No further analysis of expenditures under the first heading, Interest and Premium on the Public Debt, is required. It is a matter of considerable interest, however, to know the items of expenditure covered by the other classes. Such an itemization is given for the class Pensions, Allowances, etc., in Table 24.

The item Military and Naval Pensions covers all expenditures made for the pensioning of participants in the wars prior to the World War and their dependents. The great bulk of these payments is on account of the Civil War and the Spanish-American War, though some payments are still made on account of the War of 1812, the Mexican War, and



12. OTHER GOVERNMENTAL COSTS
(From Table 23)

the Indian wars. It is significant that, though the Civil War came to a close over sixty-five years ago and the Spanish War thirty-three years ago, the bill for pensions on their account still amounts to over two hundred millions annually and shows but little tendency to decrease. This is due to the fact that the decrease in payments resulting from the death of pensioners is offset by the constant enactment of new legislation liberalizing the system of pension payments.¹

The payments made by the Veterans' Administration represent expenditures in aid of the veterans of the World War. These expenditures, as will be seen, represent aid of various kinds—payments to the Adjusted Service Certificate Fund for the purpose of providing the money with which to meet the payments called for by the maturing of the service certificates issued to the veterans in adjustment of their compensation upon a more liberal basis, expenditures for the hospitalization and medical aid of veterans and certain other minor payments, and expenditures for the vocational rehabilitation of veterans suffering from physical disabilities as the result of their services in the war. The total of these payments, it will be seen, while remaining fairly stationary during the early years of the period, has increased rapidly during the later years, the total increase being from \$324,163,302.96 in 1921 to \$446,188,251.23 in 1930. If past experience furnishes any guide, a still further increase may be expected in the future. The total for military pensions, allowances, and other aid for the veterans of all wars for 1930, \$665,144,593.29, represents a sum exceeding the amount called for by interest on the public debt, and equalling one-half of the entire cost of operating the government proper and about 23 per cent of the grand total of governmental costs.

In 1920 Congress provided for the establishment of a retirement system for the civil employees of the government, to be financed in part by monthly deductions from

¹ For details regarding the number of pensioners and payments for pensions, classified by wars and character of pensions; that is, veterans, widows, etc., since the inauguration of the system, see annual reports of the Commissioner of Pensions.

the salaries of such employees and in part by contributions from the treasury. These payments, it was provided, should be paid into a special fund to be known as the Civil Service Retirement Fund whose assets, in so far as not needed to meet the annuity payments provided for, should be invested in interest-bearing securities. During the first few years of the operation of this system no payments were actually made by the government to this fund, the payments representing the deductions from salaries being more than sufficient to meet annuity requirements. It was brought home

24. PENSIONS, ALLOWANCES,

	1921	1922	1923	1924
1. Military and naval pensions.....	\$260,281,588.92	\$252,248,979.83	\$263,602,258.44	\$227,716,711.93
2. Veterans' Administration Payments				
1. Adjusted Service Certificate Fund.....				
2. Vocational rehabilitation.....	101,049,138.97	173,809,861.14		
3. Hospitalization, medical aid, and miscellaneous.....	223,114,163.99	281,631,535.66	405,003,858.91	348,386,864.81
Total Veterans' Administration Payments.....	324,163,302.96	460,441,396.80	405,003,858.91	348,386,864.81
3. Employees' Compensation Commission payments.....	2,364,177.34	2,541,104.16	2,839,503.67	2,302,102.42
4. Civil Service Retirement Fund.....				
5. Foreign Service Retirement Fund.....				
Total.....	\$586,809,069.22	\$715,231,480.79	\$671,445,621.02	\$578,405,679.21

to Congress, however, that this system was an unsound one from the actuarial standpoint, and that, if persisted in, would call for very large payments by the government in years to come. Beginning with 1929, provision was made for the government making payments annually to the fund, these payments being calculated on the basis of making up for the payments that should have been made in previous years. The figures opposite the item, Civil Service Retirement Fund, represents only those payments made by the government to the fund and furnishes no information regarding the operations of the fund or the retirement system.²

² For such information, see the annual reports of the Commissioner of Pensions and the annual reports of the Board of Actuaries on the operation of the system. Beginning with 1930 this information will be found in the annual reports of the Veterans' Administration.

In 1924 a special retirement system was created for the Foreign Service of the Department of State on the same general plan of the general system just described. It is, however, on a somewhat more liberal scale as regards the annuities provided for. The cost to the government of these two retirement systems now amounts to something over twenty millions of dollars annually, a cost which will probably increase slowly with the passing years.

It is not out of place to note that payments indicated by the table do not include all payments made by the govern-

Etc., CLASSIFIED BY KIND

1925	1926	1927	1928	1929	1930
\$217,776,794.21	\$206,673,802.00	\$229,956,741.00	\$228,696,993.89	\$229,549,430.04	\$218,956,342.06
100,000,000.00	120,000,000.00	116,000,000.00	112,000,000.00	112,000,000.00	112,000,000.00
341,263,240.26	323,245,415.12	341,263,930.07	346,414,559.91	350,284,005.79	334,188,251.23
441,263,240.26	443,245,415.12	457,263,930.07	458,414,559.91	462,284,005.79	446,188,251.23
2,455,371.99	2,330,968.16	2,794,021.71	3,267,492.62	3,542,702.06	4,003,848.08
				19,950,000.00	20,500,000.00
				213,000.00	216,000.00
\$661,525,406.46	\$652,250,185.28	\$690,014,692.78	\$690,379,046.42	\$715,539,137.89	\$689,364,441.37

ment to retired employees. It does not include the pay of retired army and navy officers, commissioned officers of the Public Health Service and of the Coast Guard, and federal judges. These payments are included in the items for the pay of the existing personnel and treated as a part of the cost of operating those services.

Grants-in-Aid and Surrender of Income to States, Territories, and Dependencies. The group heading Grants-in-Aid and Surrender of Income to States, Territories, and Dependencies, has for its purpose to make known the extent to which the national government has adopted the policy of extending financial aid to these political divisions. The items listed under this head fall into two classes: "grants-in-aid," and "surrender of income."

By "grants-in-aid" is meant the payments from the federal treasury to the states of money to be used for certain specified purposes upon the condition that the states will expend a like amount for such purposes and meet certain other conditions. The policy is often described as that of the matching of the dollar plan. It has been employed in the following seven instances:

1. Grants for the support of Colleges of Agriculture and Mechanic Arts in pursuance of the First Morrill Act of July 2, 1862, the Second Morrill Act of August 30, 1890, and the Nelson Amendment to the Agricultural Appropriation Act of March 4, 1907.
2. Grants for the establishment and maintenance of agricultural experiment stations by state colleges of agriculture and mechanic arts in pursuance of the Hatch Act of March 2, 1887, the Adams Act of March 16, 1906, and the Purnell Act of February 24, 1925.
3. Grants for the operation of a so-called extension service to furnish "useful and practical information on subjects relating to agriculture and home economics and to encourage application of the same through the state colleges of agriculture and mechanic arts" in pursuance of the Smith-Lever Act of May 8, 1914, and the Capper-Ketcham Act of May 22, 1928.
4. Grants for the promotion of vocational education in pursuance of the Smith-Hughes Act of February 23, 1917, and the act of February 5, 1929.
5. Grants for the promotion of the rehabilitation of persons injured in industry in pursuance of the Smith-Bankhead Act of June 2, 1920, and the act of June 5, 1924.
6. Grants for the promotion of maternity and infant hygiene and welfare in pursuance of the Maternity and Infancy or Sheppard-Towner Act of November 23, 1921.
7. Grants for the construction of rural post roads in pursuance of the Federal Aid Road Act of July 11, 1916, and supplementary acts.

The heading, Surrender of Income to States, Territories, and Dependencies, is intended to cover all those cases where the federal government has for one reason or another provided for turning over to the states and dependencies certain items or certain portions of items of its income. The cases where it has made such provisions are the following:

1. When provision was made for the civil government of Porto Rico by the so-called Foraker Act of April 12, 1900, that island came under the operation of the customs system of the United States, and ever since then federal officers in the island have collected the regular customs dues on foreign goods entering its ports. Partly in order to give financial aid to that new dependency, but, primarily, because it seemed to be only equitable that the island should have the benefit of all locally collected income, provision was made in this act that all customs collections, after deduction of the expense of collection, should be turned over to the insular treasury, and this has since been done. The same provision was not made in the case of the Philippines, since that dependency was exempted from the provisions of federal customs acts and given permission to organize a customs service of its own.
2. Later it was decided that a similar policy should prevail in respect to all excise taxes collected by the federal government on Porto Rican products, the most important being tobacco, cigars, and cigarettes, even though such collections might actually be made in the United States on such products entering the United States from that island. By act of March 2, 1917, it was accordingly provided that all such excise tax collections should be refunded to the insular treasury. Provision for according the same treatment to the Philippines had already been made by the tariff act of August 5, 1909.
3. There has always been a claim on the part of the western states in which the bulk of the public domain is located that they had a proprietary interest

in such domains greater than that that could be claimed by the other states. They based this claim, not only on the fact that such domain was a part of their territory, but that this domain, being federal property, was not subject to state taxation, a serious matter when it constituted a large part or even the majority part of the total territory of the state. This claim has been in part acquiesced in by the federal government and the following provisions have been made for surrendering to the state, income derived from the operation or sale of the public domain.

By a series of acts beginning as early as 1820 provision was made for turning over to the states and territories specified, 5, 3, or 2 per cent of the net proceeds of the sales of all public lands lying within their limits to be used by them "for the purpose of education or of making public roads and improvements."³

By acts of April 10, 1869, and May 4, 1870, Congress granted certain public lands to a railroad company as an aid to it in the construction of a railroad from Portland, Oregon, to the northern boundary of California and from Portland to Astoria and McMinnville in Oregon, imposing at the same time certain conditions in respect to sale of such lands. These provisions were violated by the railroad company, as the result of which the national government by suit, which went to the Supreme Court of the United States and was decided in favor of the national government, and by subsequent legislation secured revestment of title to the unsold lands and a readjustment of the financial obligations growing out of the railroad company's violation.

³ In general, a separate act was passed in respect to each state and territory. The percentage fixed was probably calculated as one to correspond in a rough way to the tax that might have been collected on such lands had they been privately owned, and the payments themselves were looked upon more or less as in lieu of the payment of taxes. The accounts carry these payments under the heading, "Five, three and two per cent fund to states."

This settlement, the provisions of which are too complicated to permit of reproduction here, provided for certain payments representing taxes and net proceeds to the States of California and Oregon.⁴

4. The claim that the states and territories in which the national forests are chiefly located should participate in the income derived from the exploitation of such forests has always been especially strongly urged. The acts providing for the administration of this part of the public domain by the Forest Service thus provide for the turning over of certain portions of this income to these states. An act approved on March 4, 1907, thus provides that "ten per cent of all moneys received from each forest reserve [for sale of timber or any other source of forest reservation revenue] during any fiscal year . . . shall be paid at the end of the fiscal year in which collected to the state or territory in which said reserve is situated, to be expended by the state or territory as the legislature may prescribe for the benefit of the public schools and public roads of the counties in which the forest reserve is situated." By act of June 30, 1924, this percentage was increased to twenty-five.

Under the provisions of an act of June 20, 1910, certain sections of the national forests were granted to the states of New Mexico and Arizona but with the provision that they should be administered by the Forest Service. This act provides that at the end of each fiscal year the Secretary of the Treasury shall pay to these states for their common school funds such proportion of the gross income of all national forests within such states as the area of the sections so granted for school purposes bears to the total area of all the national forests within those states.⁵

⁴ The accounts carry these payments under the heads of "Oregon and California Land Grant Funds" and "Payment of Taxes on Forfeited Oregon and California Lands."

⁵ In the accounts this payment is carried under the heading, "Arizona and New Mexico School Funds."

5. The Mineral Leasing Act of February 25, 1920, having for its purpose to subject the whole matter of the granting of leases for the extraction of minerals from lands constituting a part of the public domain, provided for the distribution of the proceeds derived from such leases in the following way: to the Reclamation Fund 70 per cent of past production and $52\frac{1}{2}$ per cent of future production; to the general fund of the treasury 10 per cent of both past and future production, and to the states in which the minerals extracted were located, for public roads or support of schools as the legislature might direct, 20 per cent of past production and $37\frac{1}{2}$ per cent of future production.⁶
6. The Water Power Act of June 10, 1920, made provision for the control and utilization of the water power of the public domain and the navigable waters under the jurisdiction of the national government, and created the Federal Power Commission as the agency to exercise such control. This act provided that the income received from leases in the form of royalties or otherwise should be distributed as follows: all receipts from Indian reservations to be placed to the credit of the Indians of those reservations; and all other receipts to be divided as follows: 50 per cent to the Reclamation Fund, $12\frac{1}{2}$ per cent to miscellaneous receipts of the general treasury, and $37\frac{1}{2}$ per cent to the states from which received. Due to this provision there is turned over to the states a steadily increasing sum representing their apportioned share of the increase derived from water power leases.

⁶ This act covers all mineral and oil receipts except those from Alaska and from lands within the naval petroleum reserves, which receipts are covered into the general treasury as miscellaneous receipts. The terms "past" and "future" production probably are intended to mean receipts from leases entered into prior to and subsequent to the passage of the act.

Table 25 sets forth the payments made by the national government to the states under each of these two heads during the ten years covered by this study.

From this table it will be seen that the only material change that has taken place during this period is in respect to the item of grant of funds for the construction of so-called rural post roads, which item shows an increase from \$57,452,056.48 in 1921 to \$77,890,757.81 in 1930.

Government of Territories and Dependencies. In general, it is the policy that each dependency shall defray the expenses of its own government from its own income. By way of exception to this, the federal government, however, undertakes to pay certain items of cost of the government of the National Capital and of the territories and dependencies. The most important instance of where this is done is in the case of the government of the District of Columbia. Due to the fact that Washington is the capital and that the national government, in its public buildings and grounds, is a holder of real estate running into the hundreds of millions of dollars in value that is exempt from local taxation, and that it is the direct beneficiary of the services of the local government, there is a unanimity of opinion that the national government should contribute to the support of the local or District government. For some years the national government undertook to pay 50 per cent of the cost of the District government. In 1925 this payment was changed to the lump sum of \$9,000,000. Beginning with 1931, which year is not covered by this study, this payment was increased to \$9,500,000. The amount of the contribution that should be made by the national government for the support of the District government has long been a matter of dispute, and efforts have been made to arrive at a formula that would represent an equitable adjustment. Up to the present time, however, it has been impossible to agree upon any such formula.

The payments on account of Alaska are for the salaries and expenses of presidential appointees, such as the Governor, expenditures for the construction of roads and trails,

and certain other minor payments. This represents a departure from the general principle adopted by the national government of having each dependent territory meet its expenses from its own income and is justified by the small-

25. GRANTS IN AID AND SURRENDER OF INCOME TO STATES,

	1921	1922	1923	1924
1. Grants-in-Aid				
1. State colleges of agriculture and mechanic arts	\$2,500,000.00	\$2,500,000.00	\$2,550,000.00	\$2,550,000.00
2. Agricultural experiment stations				
3. Extension service	5,031,577.73	5,474,049.50	5,810,349.45	5,820,816.89
4. Vocational education	2,908,413.78	3,726,006.27	5,334,415.34	4,893,470.92
5. Rehabilitation of persons injured in industry	469,819.30	255,711.15	503,188.75	558,672.48
6. Maternity and infancy, hygiene and welfare		217,138.58	602,037.04	720,694.79
7. Rural post roads	57,452,056.48	91,653,149.69	72,147,832.73	80,969,376.43
Total Grants-in-Aid	68,361,867.29	103,826,055.19	86,947,873.91	95,473,031.51
2. Surrender of Income				
1. Excise taxes, Porto Rico	1,919,029.78	1,586.20	76,413.40	
2. Customs, The Philippines	3,567.96	833.87	2,488.08	
3. Excise taxes, The Philippines	2,011,162.55	331,129.15	444,367.76	
4. Additional income tax, Alaska Railroad	13,942.67	19,396.57	14,395.31	18,353.28
5. Public Lands				
1. Five, Three, and Two Per cent Funds	138,193.03	36,277.62	25,658.91	2,461.98
2. Coos Bay and Oregon and California Land Grant Fund				
3. Payment of taxes on forfeitures, Oregon and California lands				
Total Public Lands	138,193.03	36,277.62	25,658.91	2,461.98
6. From National Forest				
1. Payment to states and territories	1,180,063.13	1,023,083.81	846,442.41	1,371,550.15
2. Arizona and New Mexico School Funds	73,229.75	59,596.18	35,374.20	
Total National Forest	1,253,292.88	1,082,679.99	881,816.61	1,371,550.15
7. Payments to Alaska, Alaska Fund	335,399.11	227,796.94	90,664.97	104,066.02
8. Payments to states under Mineral and Oil Leasing Acts		1,806,806.03	2,304,560.38	2,781,004.92
9. Payments to states from water power licenses				1,397.81
Total Surrender of Income	5,674,617.98	3,506,506.37	3,840,365.42	4,279,739.16
TOTAL GRANTS-IN-AID AND SURRENDER OF INCOME, ETC.	\$74,036,485.27	\$107,332,561.56	\$90,788,239.33	\$99,752,770.67

ness of Alaska's income in comparison with the extent of its territory and its governmental obligations.

The payments to Hawaii represent the salaries and certain expenses of the Governor and Secretary, who are presidential appointees, and a fixed contribution of \$30,000 every other year toward meeting the expenses of the territorial legislature.

FEDERAL EXPENDITURES

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The payments to the Virgin Islands represent the cost of civil administration of those islands by the Navy Department over and above local income collected by that Department. No corresponding item is shown for Guam, due to

TERRITORIES, AND DEPENDENCIES, CLASSIFIED BY KIND

1925	1926	1927	1928	1929	1930
\$2,550,000.00	\$2,550,000.00	\$2,550,000.00	\$2,550,000.00	\$2,550,000.00	\$2,550,000.00
1,400,000.00	2,400,000.00	2,873,784.01	3,357,056.00	3,840,000.00	4,335,000.00
5,899,605.00	5,879,063.90	5,879,183.10	5,878,436.62	7,150,974.82	7,530,786.13
5,917,052.01	6,595,036.81	6,537,630.55	6,731,084.71	6,800,911.12	7,454,596.46
556,062.31	548,709.35	566,450.68	612,817.01	680,867.10	801,173.66
884,310.31	955,320.09	1,055,900.45	1,029,705.89	1,218,120.44	.....
95,336,693.12	88,479,975.75	82,974,910.29	82,514,554.57	84,006,619.00	77,890,757.81
112,503,722.75	107,408,124.90	102,437,859.38	102,673,654.80	106,247,492.48	100,571,314.06
117,830.70	.....	.....	.....	.....	.....
.....	4,190.82	6,927.68	6.47	8,483.26	17.85
.....	2,294,545.44	694,559.33	527,975.32	377,684.96	566,092.21
20,398.02	15,573.74	15,784.13	18,827.34	14,658.19	13,517.52
17,008.17	16,547.11	21,267.72	13,893.36	19,245.35	16,291.68
.....	3,901,088.04	240.05	248,838.47	1,415,930.79	1,023,157.49
.....	.....	6,102,853.49	1,130,072.68	.....	.....
17,008.17	3,917,635.75	6,124,361.26	1,392,804.51	1,435,176.14	1,041,449.17
1,301,848.22	1,242,953.93	1,285,523.44	1,285,216.95	1,350,928.95	1,565,032.06
44,503.87	28,321.76	13,567.25	26,198.94	35,854.57	41,243.00
1,346,352.09	1,271,275.69	1,299,090.89	1,311,415.89	1,386,783.52	1,606,275.06
235,548.28	139,332.97	245,361.87	189,789.90	196,435.62	250,559.31
4,656,157.21	3,460,458.37	3,475,287.32	2,538,834.13	1,820,238.53	1,429,616.23
2,063.07	4,381.14	.....	15,739.76	7,942.73	12,875.14
6,395,367.54	11,107,393.92	11,861,372.25	5,995,393.32	5,247,402.95	4,920,402.49
\$118,899,080.29	\$118,515,518.82	\$114,299,231.63	\$108,669,048.12	\$111,494,895.43	\$105,491,716.55

the fact that that island has been administered largely as a naval station and its expenses are consequently included in the general expenses of maintaining the naval establishment.

It is of interest to note that the federal government makes no contribution toward meeting the expenses of local government in the Philippines and Porto Rico, not even paying the salaries of the Governor and other presidential ap-

pointees. It has, however, recently voted several millions as a gift to Porto Rico to enable the Island to repair in part the great physical damage caused by the disastrous hurricane of 1928.

The expenditures of the federal government for meeting the expenses of the local governments of these dependencies are set forth in Table 26.

In considering this table, it should be noted that the expenditures here shown do not include the expenditures made by the national government in carrying on its own activities in or in respect to these territories, such, for example, as the payment of the salaries, mileage, etc., of

26. EXPENDITURES FOR GOVERNMENT

	1921	1922	1923	1924
1. District of Columbia...	\$9,218,002.97	\$9,187,792.98	\$8,910,089.05	\$9,180,457.63
2. Alaska.....	746,229.01	1,115,522.15	1,435,696.86	1,463,111.84
3. Hawaii.....	44,348.01	15,804.82	43,900.00	16,248.12
4. Virgin Islands.....		343,440.00	343,440.00	324,000.00
Total.....	\$10,008,669.99	\$10,662,559.95	\$10,736,422.91	\$10,933,817.59

the delegates from the territories, the Philippines, and Porto Rico in the House of Representatives, the expenses of the federal courts in those territories, the expenses involved in the maintenance of military and naval establishments, light-houses, agricultural experiment stations, Weather Bureau stations, and the like. All of these are expenditures in maintaining and operating the federal government, and are included in the figures showing expenditures for the maintenance and operation of the legislative establishment, the judicial establishment, and the several departments, bureaus, etc., of the administrative establishment. The expenditures here shown thus represent merely payments having to do with the maintenance and operation of the local governments of the several dependencies.

Public Works. The item Public Works covers only those works of a construction character that have for their purpose to minister to the needs of the general public. The cost of all construction work for the government itself, to which

the designation "government construction work" might be given, such as public buildings, lighthouses, hospitals, and the like, is included in the cost of operating the government proper.

Public works, as thus defined, consist primarily of the improvement of navigable waters, including in such term the occasional construction and maintenance of canals. Both the construction and maintenance of these works are under the Chief of Engineers of the War Department. The expenditures of the government during the period covered for works of this character are shown in Table 27.

In this table, it has been thought of interest to segregate

OF TERRITORIES AND DEPENDENCIES

1925	1926	1927	1928	1929	1930
\$9,000,000.00	\$9,000,000.00	\$9,000,000.00	\$9,000,000.00	\$9,000,000.00	\$9,000,000.00
1,614,749.68	1,977,150.53	1,937,917.72	1,918,570.30	2,037,927.03	2,010,620.80
46,367.66	16,598.44	49,975.76	19,670.63	50,430.86	20,440.53
270,150.00	383,456.47	277,031.27	280,981.56	259,341.87	313,983.53
\$10,931,267.34	\$11,377,205.44	\$11,264,024.75	\$11,219,231.49	\$11,347,609.76	\$11,345,064.86

and show separately the expenditures made for the control of floods of the Mississippi due to the fact that this work is one of such magnitude and is likely to call for large expenditures in the future. For somewhat the same reason expenditures on account of Muscle Shoals Dam No. 2 are separately shown. These expenditures, however, throw little or no light on the total cost of the Muscle Shoals project as a whole, since expenditures for it were primarily met from the general fund placed at the disposal of the President for the effective prosecution of the war.

The most important fact brought out by this table is the tendency that is shown steadily to increase expenditures for river and harbor improvement work and the execution of the project for the control of the flood waters of the Mississippi. In the first three years of the period expenditures for the first of these two objects averaged approximately \$40,000,000 a year. In the following year, 1924, these expenditures jumped to slightly over \$56,000,000, they remained at between \$50,000,000 and \$60,000,000 during the

ensuing years 1925 to 1929, inclusive, and increased to \$67,458,247.47 in 1930. In 1927 occurred the disastrous Mississippi flood. Following it the government determined to take steps to prevent its recurrence, almost regardless of the cost that might be involved. The cost entailed in putting into execution the control plan adopted is reflected in the large expenditures shown for 1929 and 1930, \$25,340,026.35 and \$31,060,904.94. Taking all public works together the total expenditures of the government in 1930 amounted to nearly one hundred millions of dollars, much the highest figure ever disbursed for such work in any year of its history.

27. EXPENDITURES FOR PUBLIC WORKS

Fiscal Year	Rivers and Harbors	Mississippi Flood Control	Muscle Shoals Dam No. 2	Total
1921	\$46,541,933.48	\$12,612,329.50	.....	\$59,154,262.98
1922	34,880,417.31	9,103,264.69	.....	43,983,682.00
1923	40,118,965.55	8,894,009.41	\$ 3,212,579.58	52,225,554.54
1924	56,588,967.71	8,489,065.58	11,163,325.62	76,241,358.86
1925	55,485,555.60	14,689,318.32	9,587,976.42	79,762,850.34
1926	54,831,823.14	12,178,061.40	2,368,140.59	69,378,025.13
1927	51,281,238.95	11,591,062.59	2,752,037.80	65,624,339.34
1928	58,869,975.09	13,271,218.68	710,551.26	72,851,745.03
1929	57,718,334.65	25,340,026.35	330,054.24	83,388,415.24
1930	67,458,247.47	31,060,904.94	254,499.95	98,773,652.36

Miscellaneous. The final group heading, Miscellaneous, is intended to cover all expenditures not falling under one of the other heads. In general the amount of expenditures under this head is relatively unimportant, though occasionally some special expenditure of a considerable sum will be included. One item appearing each year is that of \$250,000 representing the annual payment to the Republic of Panama in pursuance of Article 14, of the treaty of November 18, 1903, with that country, by which the United States acquired the right to build the Panama Canal. A further item of \$5,000,000 appears in each of the five years 1923 to 1927, inclusive, representing the payment to the Republic of Columbia of the \$25,000,000 provided for by Article 2 of

the treaty of April 6, 1914, with Columbia, by which all outstanding differences between the United States and that country growing out of the acquisition of the right to build the Panama Canal were finally adjusted. This treaty was, however, not finally ratified by the United States Senate until 1921 and the payments did not begin until 1923.

CHAPTER XIII

NET EXPENDITURES ON ACCOUNT OF SPECIAL BUSINESS ENTERPRISES

"Special business enterprises," by which is meant those undertakings of the government which are analogous to those carried on by private corporations for gain and which are operated on the general principle of having their expenditures for operation met as far as possible from the income produced by them, are of so special a character that it is highly desirable that an account of their receipts, expenditures, assets, and liabilities shall be segregated from those of government generally in order that information may be had regarding: (1) The financial results of the operation of each such enterprise; and (2) the extent to which their operation, individually and collectively, produce a net return that may be covered into the general treasury as a relief to the sum to be raised by taxation or other dues, or a deficit that will have to be met from the funds so raised. The first item of information can only be secured by a special study of the operations of each of these enterprises in which account is taken of such accounting distinctions as expenditures for capital outlay and expense, depreciation of fixed property and the like. The second, however, can be secured by bringing into comparison the total disbursements from the general treasury on account of these enterprises, whether for capital outlay or expense, and their total receipts actually covered into the general treasury. Such a comparison has been made in Table 28.

Although the caution has already been given, it should again be emphasized that the figures given in this table by no means represent the results of the operations of these undertakings from a commercial accounting standpoint. Thus, for example, should an enterprise produce a real surplus or net gain as the result of its operations during a

year but, instead of surrendering it to the general treasury, retain it as an addition to its working capital or invested in extending its plant, such surplus would not appear in the figures here given. In like manner, if an undertaking produced a real surplus as the result of its operations during a year but received from the general treasury during that year money in excess of such gain in pursuance of appropriations for additional capital outlay, the results of its operations during the year, in so far as the general treasury was concerned, would be an excess of payments from the general treasury over receipts received. In a word, the figures here given represent only one thing: the extent to which each of these undertakings, and all combined, entailed a net charge upon the General Fund of the treasury, or the reverse.¹

The first fact to be noted in examining this table is that the burden imposed upon the general treasury by these enterprises was much heavier in the earlier years, and particularly in 1921, than in the later years. In 1921 these enterprises taken as a whole entailed a draft upon the general treasury to the extent of \$642,388,593.13, while in 1930 they called for but \$98,067,135.26. This great improvement is to be accounted for by the rapid liquidation that took place in respect to certain of the enterprises that were set up as a feature of war efforts of the government. In 1921, for example, the net disbursements on account of the Emergency (Merchant) Fleet Corporation were \$92,859,769.08 and in 1922, \$86,100,165.07. In the years immediately following great progress was achieved in liquidating the affairs of this corporation with the result that the net outgo for it in 1930 was but \$22,272,705.82. In 1921 the Railroad Administration made a draft upon the general treasury to the extent of \$39,816,867.31. Here too, we have to do with a service that was undergoing liquidation. A

¹ In a work now in preparation, dealing with the whole problem of the organization and administration of special business enterprises as such problem concerns the national government, the attempt will be made, by the construction of balance sheets and operating statements in which approved accounting distinctions are made, to show the sums invested in these enterprises by the government and the financial results of their operations from the commercial standpoint.

great drop took place in 1922 and subsequent years, with the result that in 1930 this Administration not only made no demands upon the general treasury but had an excess of receipts which were surrendered to the treasury to the amount of \$4,746,858.97. The expenditure entailed by these two services created during the war was to a slight extent

28. NET RESULTS OF OPERATION OF SPECIAL

	1921	1922	1923	1924
1. Excess of Expenditures over Receipts				
1. Postal Service.....	\$140,556,554.40	\$75,571,555.97	\$40,911,538.90	\$21,475,672.70
2. Panama Canal.....	4,575,148.98			
3. Merchant Fleet Corporation.....	92,859,709.08	86,100,165.07	28,308,505.97	11,882,306.77
4. Housing Corporation.....				
5. Railroad Administration.....	389,816,867.31	22,694,851.62	39,601,847.52	29,387,573.88
6. Alaska Railroad.....	9,560,368.11	4,358,171.51	4,472,592.85	2,837,289.59
7. Reclamation Service.....	4,764,990.85	3,951,625.37		
8. Center Market, District of Columbia.....		736,136.03		
9. Grain Corporation.....				
10. Inland Waterways Corporation.....	2,469,827.47	2,515,451.82	994,851.61	197,806.02
11. War Finance Corporation.....				
12. Sugar Equalization Board.....				
Total Excess of Expenditures over Receipts.....	644,604,026.20	195,927,957.39	114,289,396.85	65,780,650.90
2. Excess of Receipts over Expenditures				
1. Postal Service.....				
2. Panama Canal.....		9,229,679.36	14,221,081.88	18,887,436.51
3. Merchant Fleet Corporation.....				
4. Housing Corporation.....	2,210,488.15	1,757,483.00	845,465.29	1,353,065.29
5. Railroad Administration.....				
6. Alaska Railroad.....				
7. Reclamation Service.....			1,102,706.80	110,010.60
8. Center Market, District of Columbia.....			65,236.29	93,667.60
9. Grain Corporation.....	4,944.92	1,159.39		
10. Inland Waterways Corporation.....				
11. War Finance Corporation.....				
12. Sugar Equalization Board.....				
Total Excess of Receipts over Expenditures.....	2,215,433.07	10,988,321.75	16,234,490.36	20,444,780.30
TOTAL OPERATING COST TO THE GOVERNMENT (NET).....	\$642,388,593.13	\$184,939,635.64	\$98,054,906.59	\$45,335,870.60

met by an excess of receipts received from two other war corporations, the Housing Corporation and the Grain Corporation, both of which were undergoing liquidation. The Grain Corporation was completely liquidated in 1922. The Housing Corporation produced an excess of receipts which were surrendered to the treasury, varying generally from one to something over two million, and amounting, in 1930, to \$840,228.09.

Turning now to the more permanent special business enterprises, it will be seen the most important of these, the

Postal Service, produced a deficit for each of the years of its operation during this period. The deficit was unusually large in 1921 and 1922, amounting to \$140,556,554.40 and \$75,571,555.97, respectively. Thereafter, the showing was much improved for a number of years, but in the last two years, 1929 and 1930, the deficit again amounted to large

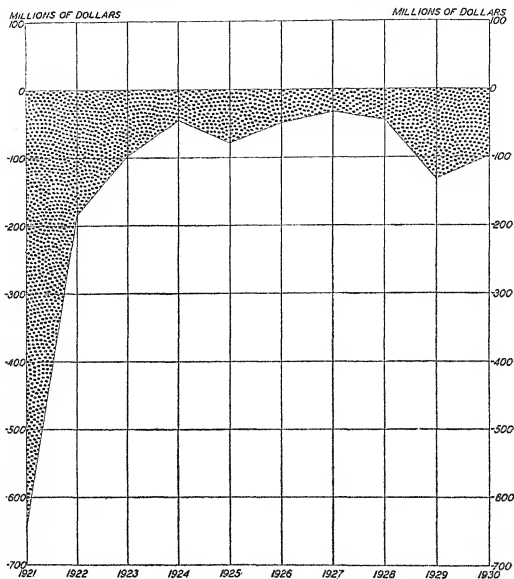
BUSINESS ENTERPRISES, CLASSIFIED BY ENTERPRISE

1925	1926	1927	1928	1929	1930
\$33,405,434.20	\$50,075,868.81	\$27,452,228.89	\$32,356,895.27	\$137,780,400.68	\$91,751,233.96
38,446,382.33	16,582,160.24	18,559,724.92	28,532,537.71	11,315,969.68	22,272,705.82
23,643,301.00	3,348,427.83	1,941,147.28	1,321,515.63	1,124,786.85	1,633,271.74
2,100,697.57	1,404,392.97	1,572,246.18	2,602,479.08	4,050,456.44	5,055,079.38
100,289.09		2,546,654.30			
97,696,114.29	71,470,849.85	51,172,001.57	64,813,427.69	154,271,613.65	120,713,190.90
13,427,071.89	14,886,545.14	17,235,746.16	17,685,465.59	19,085,799.05	16,943,101.34
2,869,987.02	2,220,505.32	1,034,253.67	1,164,049.82	940,538.30	840,228.09
3,438,147.81	5,386,069.03		619,721.67	1,955,360.11	4,746,558.97
95,396.48	83,828.38	84,114.28	96,067.20	119,080.16	115,807.24
	83.23	95.81			
19,330,603.80	22,557,131.10	18,354,209.92	19,565,304.28	22,104,712.52	22,646,055.64
\$78,365,510.40	\$48,913,718.75	\$32,817,791.65	\$45,248,123.41	\$132,166,901.13	\$98,067,135.26

sums, being \$137,780,400.68 in 1929 and \$91,751,233.96 in 1930.²

²In arriving at these figures, the total expenditures of the Post Office Department, contrary to the practice followed by the accounting officers of the government, have been added to the expenditures of the Postal Service. Even after this is done, the statement still fails to include all expenditures properly chargeable against the cost of the postal system if a true figure regarding the net cost of this enterprise is to be secured. It thus does not include the cost of the construction of post offices or the cost of the operation of such buildings, which costs are included in the cost of operating the Office of Supervising Architect of the Treasury Department, the service which has charge

The Alaska Railroad likewise imposed a net charge upon the general treasury for each year of the period, such charge amounting to \$9,560,868.11 in 1921 and \$1,633,271.74 in



13. SPECIAL BUSINESS ENTERPRISES, COMBINED, NET OPERATION RESULTS
(From Table 28)

of the construction and custodial care of post offices and other public buildings. The fact that these buildings are occupied by services of the government other than the Post Office Department make it a matter of such difficulty to segregate the cost properly chargeable against the Postal Service, that the attempt to do so has not been made. On the other hand, the Postal Service is not credited with services rendered by it in various ways, such as the transportation of mail without charge under the franking privilege, the compensation of American vessels for the transportation of mail at a rate making it in effect a

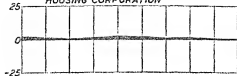
PANAMA CANAL
MILLIONS OF DOLLARS



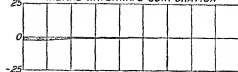
RECLAMATION SERVICE
MILLIONS OF DOLLARS



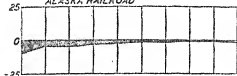
HOUSING CORPORATION



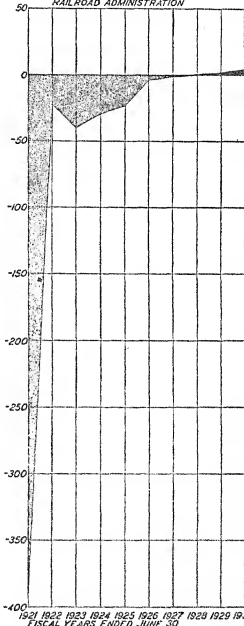
INLAND WATERWAYS CORPORATION



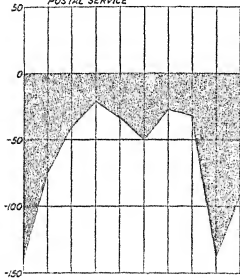
ALASKA RAILROAD



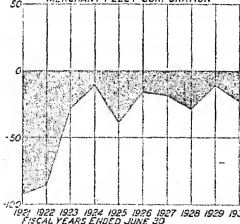
RAILROAD ADMINISTRATION



POSTAL SERVICE



MERCHANT FLEET CORPORATION



13a. SPECIAL BUSINESS ENTERPRISES, INDIVIDUAL, NET OPERATING RESULTS
(From Table 28)

1930. This charge, particularly during the earlier years of the period, is to be accounted for in part by expenditures for capital outlay in the way of substituting steel for wooden bridges and other permanent improvements.

The Panama Canal, on the other hand, produced a surplus for each year with the exception of 1921, a surplus which, in 1930, amounted to \$16,943,101.34.

The Inland Waterways Corporation, though originally set up as a war enterprise to enable the government better to meet its transportation needs resulting from its entrance into the World War, instead of undergoing a process of liquidation has rather undergone during this period a process of development. During the earlier years it was operated at a deficit, but in more recent years it has had an income approximately balancing its outgo in so far as drafts upon the general treasury are concerned. It should be noted, however, that during recent years several millions of dollars have been turned over to it by the treasury in the form of payments made for additional capital stock issued. These payments of the treasury, which are in the nature of investments, however, appear under the head of Investments, which is one of the items of Non-Governmental Costs.

The War Finance Corporation, Sugar Equilization Board, and Grain Corporation have been listed in the statement simply for memorandum purposes, little or no account being taken of the results of their operation, since these bodies have been financed through the purchase by the general treasury of their capital stock, the expenditures for this purpose being thus shown in the statements given in this study as Investments under the general heading of Non-Governmental Costs when such investments were made during the period covered.

subsidy, etc. In 1930 Congress passed an act requiring that the value of each of these services should be annually estimated and account taken of them in rendering the accounts. In the future it will thus be possible to determine in a more approximate way than formerly the extent to which the Postal Service is paying its way. For the fiscal year ended June 30, 1930, the value of the services thus rendered was officially estimated at \$39,669,718.39.—Secretary of the Treasury, Annual Report, 1930, p. 433.

CHAPTER XIV

NON-GOVERNMENTAL COSTS CLASSIFIED BY CHARACTER

"Non-governmental costs" embrace those disbursements of the government which can not, by even the broadest interpretation of the term, be treated as parts of the cost of maintaining and operating the government or of rendering service in the way of payment of pensions, grants-in-aid, etc. These disbursements are of two kinds: (1) Those having for their purpose the retirement of the public debt; and (2) those representing the investment of public funds in the way of the purchase of interest-bearing securities or the making of loans to be repaid with interest at a future date. The latter may be still further classified under the following heads: (1) Obligations of Foreign Governments, (2) Securities of Subsidiary Corporations, (3) Advances to Government Agencies for Loaning Purposes, and (4) Other.

The payments of the government during each of the years covered under each of these heads are set forth in Table 29.

In a subsequent chapter, Chapter XVII, is given a general consideration of the whole subject of the administration of the public debt during this period and the particular provisions that have been made for setting aside certain items of income for debt reduction as well as the setting up of a sinking fund for the progressive retirement of the debt incurred in the prosecution of the World War. The only distinction in respect to the source from which payments in reduction of debts were derived that seemed to be necessary is, therefore, that between payments from so-called ordinary receipts and surplus. In the chapter on Financial Condition, Chapter II, a consideration has also been given of the policy of the government in respect to the investment of public funds in subsidiary corporations and in the granting of loans for certain purposes. The only further explanation of these statements needed is to point out that the item

"foreign obligations" represents the further advances made to certain of the foreign governments as an incident of the funding of the moneys previously loaned to them; and that, though the Shipping Board Construction Loan Fund has

29. NON-GOVERNMENTAL COSTS,

	1921	1922	1923	1924
1. Reduction of Debt				
1. From "Ordinary Receipts".....	\$422,113,000.00	\$422,604,600.00	\$462,850,491.10	\$457,990,750.00
2. From "Surplus".....		486,121,502.31	210,823,851.85	640,804,625.87
Total: Reduction of Debt.....	422,113,000.00	908,816,192.31	613,674,342.95	1,098,804,375.87
2. Investments				
1. Foreign obligations.....	73,896,697.44	717,834.36		
2. Securities of Subsidiary Corporations				
1. U. S. Grain Corporation, stock....		30,000,000.00		
2. Inland Waterways Corporation, stock.....				
3. Federal Land Banks, bonds.....	16,781,320.79			
4. Federal Intermediate Credit Banks, stock.....			12,000,000.00	12,000,000.00
Total: Securities of Subsidiary Corporations.....	16,781,320.79	30,000,000.00	12,000,000.00	12,000,000.00
3. Loans				
1. Railroad obligations.....	349,184,212.74	14,510,263.34	22,066,461.87	12,971,009.00
2. Shipping Board Construction Loan Fund ¹				
3. Federal Farm Board Loan Fund.....				
4. Farmers' Seed, Feed, and Relief Loan Fund.....	1,953,124.68	1,491,326.42		390,002.14
Total: Loans.....	351,137,337.42	16,001,589.76	22,066,461.87	13,361,002.14
4. Other.....				
Total: Investments.....	441,815,355.65	46,719,424.12	34,066,461.87	25,361,002.14
TOTAL: NON-GOVERNMENTAL COSTS	\$863,928,355.65	\$955,535,616.43	\$647,740,804.82	\$1,124,255,378.01

¹ Operated on basis of a revolving fund; i.e., repayments of loans are credited directly to the fund for relending purposes. No expenditures are, therefore, included for loans made from this fund.

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been listed, no payments to, or through, it have been indicated, since this fund is a revolving fund and no payments from the general treasury were made to it during the years covered by the statement.

CLASSIFIED BY CHARACTER

1925	1926	1927	1928	1929	1930
\$466,539,113.83 268,080,987.76	\$487,376,050.69 385,601,522.02	\$519,554,844.78 611,754,538.56	\$540,255,020.30 367,358,710.12	\$549,603,703.75 123,601,013.59	\$553,883,603.25 191,895,049.42
734,619,101.59	872,977,572.71	1,131,309,383.34	907,613,730.42	673,204,717.33	745,778,652.67
				12,167,000.00	
1,500,000.00		2,500,000.00	1,000,000.00	2,500,000.00	1,500,000.00
		1,000,000.00		5,000,000.00	
1,500,000.00		3,500,000.00	1,000,000.00	7,500,000.00	1,500,000.00
					140,658,273.56
				5,600,175.15	4,777,867.45
				5,600,175.15	154,736,141.09
				6,180,509.97	
1,500,000.00		3,500,000.00	1,000,000.00	31,447,635.12	156,236,141.09
\$730,119,101.59	\$872,977,572.71	\$1,134,309,383.34	\$908,613,730.42	\$704,652,402.45	\$902,014,793.67

CHAPTER XV

FEDERAL EXPENDITURES CLASSIFIED BY FUNCTIONS

While an analysis of the cost proper of operating the government by organization units throws much light upon the character and cost of government operations, it does not tell the whole story. It is also a matter of interest to know the total expense that is involved in performing each of the several great functions undertaken by the government, such as national defense, promotion of education, protection and promotion of the public health, and the like.

Were all the organization units of the government uni-functional in the sense that the activities of each fell within the same functional field, and were all the activities relating to a function performed by a single organization unit, the analysis of expenditures by organization units would at the same time present an analysis of expenditures by functions. It is hardly necessary to say that no such condition obtains in the national government. The activities of many services fall within more than one functional field, as for example those of the Bureau of Mines, which, while having primarily to do with the promotion of the mining industry, also include the activity of promoting the safety of miners. And there are many cases where there are a number of services which, while having their own special fields of activities, have to do with the performance of the same general function, as for example in the case of the Bureau of Education and the Federal Board for Vocational Education. Information regarding the expenditures of the government classified by functions can thus only be secured by a separate analysis having that purpose in view.

The attempt to make an analysis of this character presents great difficulties, and at best only an approximate statement of the facts is possible. The first difficulty to be overcome is a determination of the functions for which it is

desirable to have information regarding expenditures. No classification of functions exists, nor can one be prepared, that will meet all needs or be satisfactory to all persons.

In seeking to devise such a classification that will be measurably satisfactory, certain distinctions must be made. These consist in distinguishing clearly between a function, an activity, and a process or operation. A function is a purpose or end sought to be accomplished, such as national defense, promotion of education, and the like. An activity is an act performed in seeking to accomplish a function, such as the collection of vital statistics as a feature of the work undertaken in promoting or caring for the public health. A process or operation is a part of the action taken in performing an activity, as, for example, the preparation of schedules, the editing of returns and the compilation of data in collecting statistics.

Emphasis is laid upon these distinctions, since they are so often disregarded by persons seeking to analyze governmental costs from the functional standpoint. One thus often finds scientific research, statistical work, etc., which are activities, treated as though they were functions and set up as coördinate items with functions proper. As soon as one studies the details of government operations he finds that many, if not the majority, of government services engage in these activities as a feature of their performing distinct functions. The same is even more true in respect to processes or operations.

While it may be of interest, and at times of practical value, to seek to determine how much the government expends in performing a certain activity, such as collection and publication of statistics, or the prosecution of scientific research, there is little ground for seeking to make activities the basis for a general analysis of governmental costs. Even if this were not so, the practical difficulties in the way would make such an effort a futile one. In like manner the determination of process or operating costs is often of value as a feature of cost keeping for the services viewed individually but cannot be made a basis for any general analysis. It results, therefore, that both from the standpoint of desir-

ability and feasibility, the effort to analyze governmental costs as a whole according to character of work engaged in should be restricted to a distribution of total costs according to functions, using that term as defined above.

A second difficulty is that, even if the effort to show expenditures according to ends sought to be attained is restricted to allocating expenditures according to a relatively few major functions, accounts are not so kept, or at least reports are not so rendered, as to show the parts of the expenditures of the several services that go to the performance of the several functions according to which it is decided to attempt to show expenditures. The Bureau of Mines, for example, may make considerable expenditures for the purpose of promoting the health and safety of miners, but its accounts or reports may not reveal how much of its total expenditures go for this purpose. If one of the functions included in the classification of functions is promotion of health, it thus becomes impossible to charge that function with this expenditure. Many cases like this will be encountered. This difficulty, therefore, can only be overcome by requiring all spending services to keep their accounts in such a manner as will segregate expenditures by an agreed upon activity and functional classification, or by the compiler of the analytical statement going back to the published reports and analyzing anew from the original vouchers the expenditures of the services. It is hardly necessary to say that any such operation is rarely feasible. The best that can be done in most of such cases is, therefore, to ignore such expenditures and throw the total expenditures of the service into the items representing the primary function of the service, in the case mentioned, the promotion of the mining industry, with the addition of a footnote explaining that this has been done.

A third difficulty, and one that is inherent in the whole undertaking, is that a classification of functions cannot be made in such a manner as to be mutually exclusive in respect to the assignment of expenditures. Thus, in the example just given, expenditures for the protection or promotion of the health of miners finds a place both in the function of the

promotion of the mining industry and the promotion of public health. The item must thus be arbitrarily assigned to one or the other function or be assigned to both. In the latter case, of course, the addition of the totals for the respective functions will produce a grand total in excess of the total of expenditures analyzed. Through this method it is possible, provided the accounts and reports produce the necessary data, to determine the total expenditures for a given function, but it is not possible to break down the grand total of expenditures into items accurately showing the part or percentage going to the several functions listed.

Notwithstanding these difficulties, the Bureau of the Budget has attempted from the start to prepare and present in the budget a table having for its purpose to classify the expenditures of the government from a functional standpoint. The classification first adopted was followed with little or no modification until the last budget, that submitted in December, 1930, for the fiscal year ending June 30, 1932, where certain changes were made though leaving the general set up substantially as it was before. Following is a reproduction of this table, Table 30, as contained in the latest budget, the figures relating to actual expenditures during the year ending June 30, 1930. The attempt has not been made to present in this table the figures for preceding years, partly on account of the change made in the classification but primarily because, as will now be pointed out, the figures presented are, it is believed, so unsatisfactory.

30. FEDERAL EXPENDITURES, FISCAL YEAR 1930, CLASSIFIED
BY FUNCTION

	Amount	Per Cent of Total
1. General Functions		
1. Legislative	\$13,910,748.90	0.35
2. Judicial	11,299,752.92	.28
3. Executive	283,877.25	.01
4. General administration	25,494,379.07	.64
1. Fiscal administration.....	72,191,785.48	1.80
2. Government supply services..	3,744,184.50	.09
3. Public-buildings service.....	21,945,393.17	.55

30. FEDERAL EXPENDITURES, FISCAL YEAR 1930, CLASSIFIED
BY FUNCTION—*Continued*

	Amount	Per Cent of Total
1. General Functions— <i>Continued</i>		
4. General administration— <i>Continued</i>		
4. Civil pensions and allowances and federal payments to civil service and foreign service re- tirement funds.....	22,648,721.78	.58
5. Other general expenses ¹	1,799,020.13	.05
Total: General administration	122,329,105.06	3.07
5. Construction of general government buildings, including sites.....	44,921,384.94	1.12
Total: General Functions.....	\$192,744,869.07	4.83
2. Military Functions		
1. National defense		
1. General	\$599,234,935.88	15.02
2. Buildings and other structures, including sites.....	13,143,467.76	.33
3. Aircraft	31,197,333.62	.78
4. Naval construction, ships.....	58,050,214.67	1.46
Total: National defense.....	701,625,951.93	17.59
2. Military pensions; annuities, com- pensation, homes and hospitals for war veterans, and life insurance claims	835,275,349.10	20.93
Total: Military Functions....	\$1,536,901,301.03	38.52
3. Civil Functions		
1. Foreign relations and protection of American interests abroad.....	\$14,460,125.94	.36
2. General law enforcement.....	45,245,312.29	1.13
3. Provision for control of currency and banking.....	12,636,578.40	.32
4. Administration of Indian affairs...	31,722,665.48	.80
5. Administration of public domain...	37,607,955.55	.94
6. Promotion and regulation of com- merce and industry.....	23,414,521.40	.58
7. Promotion and regulation of aerial transportation	8,033,253.99	.20

¹Salaries and expenses of the several departments not directly chargeable to any productive function.

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30. FEDERAL EXPENDITURES, FISCAL YEAR 1930, CLASSIFIED
BY FUNCTION—*Continued*

	Amount	Per Cent of Total
3. Civil Functions— <i>Continued</i>		
8. Promotion, regulation, and operation of marine transportation		
1. General	76,731,561.32	1.92
2. Capital stock, Inland Waterways Corporation.....	1,500,000.00	.04
Total: Promotion, regulation, and operation of marine transportation	78,231,561.32	1.96
9. Promotion and regulation of land transportation	7,397,042.80	.19
10. Postal Service (Deficiency in postal revenues)	91,772,649.80 ^a	2.30
11. Promotion and regulation of agriculture		
1. General	54,905,479.67	1.38
2. Seed grain loans (net).....	4,693,972.06	.12
3. Agricultural marketing loans (net)	149,958,273.55	3.76
Total: Promotion and regulation of agriculture.....	209,557,725.28	5.26
12. Promotion and regulation of fisheries	2,438,808.12	.06
13. Promotion of labor interests.....	10,256,778.36	.26
14. Immigration and naturalization...	9,511,766.24	.24
15. Promotion of public health.....	19,521,009.63	.49
16. Promotion of public education.....	14,295,360.10	.36
17. Science and research, general.....	23,337,466.86	.59
18. Public improvements		
1. Roads	86,239,162.98	2.16
2. Rivers and harbors.....	67,695,606.36	1.70
3. Flood control.....	26,690,904.94	.67
4. Other	15,488,666.72	.39
Total: Public improvements..	196,114,341.00	4.92
19. District of Columbia, territorial, and other local governments.....	48,375,821.79	1.21
20. Relief expenditures.....	1,897,291.05	.05
Total: Civil Functions.....	\$885,828,035.40	22.22

^a Includes \$58,198.91 miscellaneous items.

30. FEDERAL EXPENDITURES, FISCAL YEAR 1930, CLASSIFIED
BY FUNCTION—*Continued*

	Amount	Per Cent of Total
4. Nonfunctional		
1. Refunds, losses, and miscellaneous.	159,533,163.20	4.00
2. Fixed-debt charges		
1. Public-debt retirements charge- able to ordinary receipts.....	554,517,900.13	13.90
2. Interest on the public debt...	659,347,613.07	16.53
Total: Fixed-debt charges....	1,213,865,513.20	30.43
Total: Nonfunctional	\$1,373,398,681.40	34.43
GRAND TOTAL	\$3,983,872,886.90	100.00

While this table has a value as indicating in a general way the grand purposes to which federal expenditures are devoted, its figures should not be taken too literally, and regard should always be had of the inherent difficulties involved in its preparation. In addition to the limitations of this table due to these inherent difficulties, certain other features detract from its worth. In the first place, included among the expenditures are refunds which, as has previously been stated, should have been handled as deductions from receipts rather than as items of expense. Secondly, the table includes public debt retirement chargeable to ordinary receipts, but does not include the large sums devoted to reduction of debt through the application of available surplus.

The most important feature of the table is, undoubtedly, the attempt to bring out by it the absolute and relative burdens thrown upon the treasury by expenditures for "1. General Functions," "2. Military Functions," and "3. Civil Functions," and among them, first interest is probably directed to the extent to which purely military expenses are responsible for the sum total of governmental expenditures. Unfortunately, the table as prepared by no means brings out the total of expenditures that are properly chargeable against the military function. Under this head, the statement gives only the expenditures of the War and Navy Departments, including, of course, those for the military and

naval establishments and those for military pensions and other aid to veterans of past wars. These two items combined do give a fair statement of current expenditures for national defense. They by no means, however, reflect all expenditures entailed by past wars. Practically the entire national debt was incurred in order to prosecute war, and if one wishes to know the total financial burden imposed upon the government by wars past and prospective, the entire charge for interest on the public debt and its retirement should be included. There are, moreover, a number of other items which but for the occurrence of past wars or the contingency of future wars would not be represented.

Again, the total expenditures for law enforcement, one of the prime functions of government, and regarding which it is very desirable to have figures in respect to its cost, is very inadequately brought out by the table. This expenditure is shown under two heads: one, Judicial, which appears as an item under General Functions and the other, General Law Enforcement, which appears under the item Civil Functions. Even with a consolidation of these two items the amount shown would still far from represent the expenditures of the government for law enforcement. Large expenditures must be made by such services as those having to do with the enforcement of the pure food and drug acts, the enforcement of law regarding proper commercial practices, and the like.

Again, it is very desirable to know the total expenditures of the government for the promotion of public education. The figure given in this table is far below that given by the National Advisory Committee on Education. In the table presented the expenditures in the way of grants-in-aid for colleges of agriculture and mechanic arts and the agricultural experiment stations operated in connection with them, are shown as part of the expenditures for the promotion and regulation of agriculture, while these items are included in the figure given for education by the National Advisory Committee on Education. The item, Scientific Research, General, is especially misleading. A very large proportion

of the services of the government engage in scientific research as an integral part of their activities. The money so spent by them appears under other heads.

The foregoing has been given not with a view to create the impression that the Bureau of the Budget has done an unsatisfactory job, but rather to illustrate in a concrete way the inherent difficulties in the undertaking and to put the reader upon his guard in making use of the figures presented.

The fact is, that while it is possible for a person interested in one particular subject, such as national defense, education, etc., to go over the figures given in preceding tables of this study and arrive at a fairly close approximation to the total expenditures of the government for that particular purpose and for another person to make a similar compilation in respect to expenditures for some other function, it is not feasible, in the same table, to classify total expenditures of the government from a functional standpoint in any considerable degree of elaboration.

CHAPTER XVI

FEDERAL EXPENDITURES CLASSIFIED BY OBJECTS

An analysis of governmental costs by organization units and by functions gives most of the information desired by the general public regarding the cost of government. For budgetary and administrative control purposes it is, however, desirable to have a further analysis of this cost by what is known as objects of expenditure; that is, by the particular things, or classes of things, such as personal services, materials, equipment, and supplies that were purchased by the expenditures. Only as such information is available can assurance be had that the requests for appropriations emanating from the spending services are reasonable, and that a due economy is being practiced in the conduct of their affairs by such services. For the internal administration of a service this information is of the highest value. With it available, the head of a service can compare the costs of operating the several units going to make up its field establishments, one collector of internal revenue's office with another, one lighthouse with the other lighthouses, etc. By so doing an unusually high cost for a particular object will immediately appear and can be made the subject of inquiry.

As has been pointed out in Chapter XI, the need for data of this kind was finally appreciated by the national government, and provision made for keeping the accounts in such a manner as to furnish it in pursuance of orders given by the General Accounting Office in its Bulletin No. 1, May 11, 1922. The information thus developed is made the basic supporting data for requests for appropriations contained in the Budget. No attempt is made, however, to present this information in the general financial reports of the government in so far as the individual organizations are concerned. The budget, however, contains a general table in

31. FEDERAL EXPENDITURES, CLASSIFIED BY OBJECT

	1926	1927	1928	1929	1930
Current Expenses					
1. Personal services.....	\$473,240,848.22	\$498,586,017.04	\$460,854,539.84	\$519,709,726.08	\$516,711,629.23
2. Supplies and material.....	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	11,544,507.50
3. Subsistence and support of persons (service).....	10,206,938.60	10,510,478.38	10,583,146.19	10,749,976.91	12,084,071.00
4. Subsistence and care of relatives (service).....	10,206,938.60	10,510,478.38	10,583,146.19	10,749,976.91	12,084,071.00
5. Communication service.....	3,385,083.45	3,896,038.47	3,694,242.54	5,513,970.35	4,064,347.97
6. Travel expenses.....	32,580,042.66	34,810,374.84	34,881,685.39	35,400,161.82	39,102,189.06
7. Transportation of things (service).....	12,220,986.18	12,412,970.20	13,548,933.61	14,482,826.11	15,877,692.34
8. Printing, engraving, publication of notices (service).....	10,003,489.99	11,906,819.02	10,069,056.69	11,460,064.33	11,125,540.00
9. Advertising and publication of notices (service).....	7,089,625.46	6,329,421.53	5,980,823.33	6,290,821.82	7,220,030.89
10. Unwinding of heat, light, power, etc. (service).....	7,089,625.46	7,131,178.45	6,980,823.33	8,978,820.00	7,320,372.00
11. Repair and alterations.....	60,732,027.25	60,765,713.64	64,268,179.03	73,738,006.62	79,464,223.27
12. Special and miscellaneous current expenses.....	32,573,029.40	26,037,620.16	86,229,996.33	23,210,336.57	16,996,980.82
13. Repairs and alterations.....	65,646,930.01	67,439,020.50	70,765,336.87	74,663,083.00	79,171,042.00
14. Maintenance and operation of naval shore stations.....	104,294,453.00	103,188,398.00	99,127,040.00	100,245,665.00	101,834,176.00
15. Maintenance and operation of fleet.....	27,575,846.00	27,096,042.60	25,643,305.60	31,424,342.00	31,511,460.00
16. Miscellaneous naval operating charges.....	932,687,152.90	933,216,710.56	1,042,094,131.01	1,042,176,246.25	1,097,366,335.81
Total Current Expenses.....	881,619,117.16	787,675,374.01	731,909,829.95	679,180,674.00	658,776,652.00
Fixed Charges					
20. Interest.....	643,727,618.16	577,282,134.45	593,012,114.52	594,319,112.48	721,196,896.00
21. Pensions, retirements, annuities, and allowances.....	116,136,986.79	114,803,710.18	111,972,325.94	116,479,589.90	114,140,251.07
22. Grants, subsidies, and contributions.....	1,591,483,722.11	1,480,061,268.64	1,437,369,267.41	1,389,929,376.44	1,494,113,329.07
Total Fixed Charges.....	59,881,182.44	62,707,067.34	78,733,286.88	105,559,807.58	112,559,310.58
Acquisition of Property					
30. Plant and equipment.....	1,949,965.63	10,480,780.18	6,516,959.02	25,137,617.37	21,697,456.50
31. Land and interests in land.....	64,393,426.64	69,598,372.91	90,902,732.67	84,611,147.77	135,142,019.95
32. Structures, improvements to land, and fixed equipment.....	31,744.19	88,666.46	91,950.39	59,579.09	23,557.00
33. Stores purchased for resale.....	19,062,045.00	26,845,224.60	33,840,838.60	40,165,973.00	36,352,255.00
34. General stores.....	145,858,366.80	159,720,010.80	210,085,753.95	255,864,216.72	307,944,599.03
Total Acquisition of Property.....	487,376,050.60	522,926,277.25	540,553,783.41	549,451,383.00	548,366,553.60
Payment of Debt					
40. Public-debt redemptions and purchases.....	170,764,639.20	170,723,685.19	150,548,059.31	299,797,354.00	280,564,385.00
Payments for Rights and Obligations					
50. Investments.....	3,472,156.36	2,883,832.66	17,193,342.45	259,000.00	280,000.00
51. Treaty obligations.....	213,770,844.60	129,399,469.76	170,983,032.40	173,737,329.00	155,700,113.87
52. Repayments of deposits.....	430,206,080.25	327,686,076.73	369,082,436.13	440,640,293.00	447,464,983.87
53. Returns, awards, and indemnities.....	39,506,490.29	27,295,191.12	32,080,202.40	137,700,614.33	91,772,640.80
Total Payments for Rights and Obligations.....	\$3,617,117,863.14	\$3,480,873,335.19	\$3,021,829,604.41	\$3,816,082,599.74	\$3,997,058,668.58
Total Deficiencies, etc.*.....					
Total General Government.....					

* Includes \$50,000,000 for settlement of alien property claims.

* Including for 1929 \$42,997,080.50 back railway mail pay to inland carriers and \$86,780.77 miscellaneous items.

which this information is given for the government as a whole. This statement, covering the period 1926-1930, is reproduced as Table 31.¹

As constructed and presented in the budget, this statement is open to the objections that have been raised against other budget statements in that payments for reduction of debt from ordinary receipts and investments are treated as expenditures, as are refunds of taxes. The inclusion of these items, while improperly swelling the total of expenditures, does not, however, interfere with the showing of the amounts expended for the other objects. The greatest objection to their inclusion, however, is that it makes it impossible to use the total of expenditures as the basis of calculations having for their purpose to show by percentages the relative importance of the expenditures for each class of items, as is attempted to be done in the budget document.

¹ The publication of this table was begun by the Bureau of the Budget in 1923. The tables for the years prior to 1926 included the expenditures of the Postal Service, which are not included in those for 1926 and following years except by the single net item of Postal Deficiency. As a result the expenditures for the two periods are not comparable.

PART V
PUBLIC DEBT

CHAPTER XVII

DEBT REDUCTION

In the preceding pages data regarding the amount of the public debt and payments on account of interest on it and its curtailment have been given as an incident of presenting information regarding the general condition, income, and expenditures of the national government. The importance of the public debt as a feature of the financing of government operations during the period following the late war make it desirable, however, that the whole subject be considered in one place and that further information be given regarding its character, its interest and amortization charges, its maturity dates, and the general policy that has been pursued in respect to debt reduction.

The late war left the government with a debt amounting to over \$25,000,000,000, the annual interest charge on which exceeded \$1,000,000,000, a sum representing approximately one-quarter of the total expense involved in running the government. The handling of this great obligation has been one of the major problems of the treasury during the post war period. This problem has had two phases: (1) The reduction of the debt as rapidly as the economic condition of the country and budgetary requirements permitted; and (2) the refunding of the maturing debt that could not be so paid in such a way as would bring about a reduction in interest charges and the distribution of future maturities as regards dates and amounts so that they could be readily handled out of current income or with a minimum of new financing.

The record of the government in respect to both of these phases cannot but be deemed to be a brilliant one. The interest-bearing debt which, on June 30, 1919, amounted to \$25,234,496,274 and on June 30, 1921, to \$23,737,352,080.37, stood at only \$15,921,892,350 on June 30, 1930, a reduction during the ten-year period of \$7,815,459,730.37, or an average of \$781,545,973.03 each year; and the remaining debt

has been refunded at a lower rate of interest and with maturing dates so fixed that the handling of maturities is no longer a serious problem. The record of the manner in which this favorable result has been accomplished is a matter of no little interest and importance.

Provision for Debt Reduction. The attitude of the American people toward public debts has always been that, though the incurrence of debt is often justified by special needs, debt nevertheless represents an evil that should be abated as rapidly as circumstances permit. This attitude was, if anything, more strongly adhered to following the late war than at any other time. Notwithstanding the natural desire to be relieved of the heavy burden of taxation resulting from the war, the demand was general that there should be no reduction of taxation that would prevent the carrying out of a policy of continuous debt payment. The only question that existed was as to the rate at which this retirement of debt should take place.

The adoption by a government of a policy is of little avail unless at the same time effective steps are taken for putting it into execution. The means adopted by the government for ensuring a progressive reduction of the debt have consisted of the following:

1. The setting up of a sinking fund for the retirement of the bonds and notes issued in connection with the prosecution of the late war;
2. The provision that all repayment of principal of war loans to governments associated with the national government in the prosecution of the late war should be applied to reduction of debt;
3. The provision that foreign governments indebted to the government on account of war loans, relief aid, or sale of war supplies might pay their obligations in respect to both principal and interest in Liberty or Victory bonds or notes, in which case the securities thus received would be cancelled and the debt thereby automatically reduced to a corresponding amount;
4. The provision that in certain cases estate taxes due the government might be paid in certain bonds and notes of the

government, in which case such obligations would be cancelled and the debt correspondingly reduced;

5. The provision that the proceeds of the franchise tax on net earnings of the Federal Reserve banks should be applied to the reduction of debt;

6. The provision that the proceeds of the franchise tax on the net earnings of the Federal Intermediate Credit banks should be applied to the reduction of debt;

7. The provision that certain other miscellaneous receipts, gifts, forfeitures, etc., should be applied to debt reduction; and

8. The provision that the Secretary of the Treasury may at any time use any surplus in the General Fund, over and above that necessary for the maintenance of an adequate working balance, for reduction of debt.

An important feature of the first seven of these means is that, being definite orders to pay, they are treated by the government accounting officers and the Bureau of the Budget as obligations to be met out of the "ordinary receipts" of the government in precisely the same way as obligations incurred in pursuance of appropriations for the conduct of the government and the performance of its varied activities. The eighth item, having no such character, is not so treated. This distinction is recognized throughout the budget. The budget thus includes only the first seven items in its statements of actual expenditures during the last completed year and estimated expenditures during the year in progress and the year to which the budget relates. As a result, the item of payment of debt there appearing does not represent the total payment of debt during the year but only the payment of debt that was accomplished through application of Ordinary Receipts as represented by these seven items. The budgetary balance indicated thus does not represent the amount that the government got ahead or dropped behind during the year. Such a showing can only be made by adding to the surplus or balancing against the deficit shown the payments made for debt reduction from ordinary receipts. Thus, for example, the budget for 1931 showed for 1929 a budgetary surplus of \$184,787,035.42. During that year,

however, \$540,255,020.30 of debt was retired through the application of the sinking fund and the other six receipts that have been mentioned, which amount constituted one of the items entering into the total of expenditures which was set off against total receipts in order to derive the budget balance. The government thus bettered its financial condition by an amount represented by the sum of these two amounts, or \$725,042,055.72.¹

Sinking Fund. Of these various means for debt reduction that for a Sinking Fund is much the most important. Provision for the creation of this fund was made by the Victory Liberty Loan Act of March 3, 1919. The operations of this fund were extended only to the retirement of obligations issued for the financing of the late war. The exclusion from its operations of other obligations was due to their relatively small amount, the low interest rate borne by them, and the fact that they could be used by National banks as a basis for the issue of circulating notes.

In setting up this fund, account was taken of the fact that, in the advances made by it to foreign governments as an incident of the prosecution of the war, the national government had an asset that was in the nature of an offset to its war debt, and as has been indicated, Congress provided by law that the repayment of these loans should be devoted to the payment of our own debt. The sinking fund act accordingly provided that the total amount of the government's war debt outstanding on July 1, 1920, should be determined; that from this should be deducted the total amount of the par value of the outstanding obligations given by foreign governments in return for the advances made to them; and that there should be paid into the sinking fund annually a sum equal to $2\frac{1}{2}$ per cent of this remainder. Calculations subsequently made by the treasury showed that the aggregate amount of the war debt outstanding on July 1, 1920,

¹ This represents the figure resulting from the Budget Bureau's system of accounting, under which investments are treated as expenditures, and realization upon assets as a receipt. It consequently differs from the figure arrived at in the tables prepared for this study, where these and other proper accounting distinctions are observed.

was \$19,581,201,450.00; that the total of the war obligations of the foreign governments representing advances made to them for war purposes was \$9,445,006,855.18. Deducting this sum from the total of the national government's war obligations outstanding left a remainder of \$10,136,194,594.82. Two and a half per cent of this sum amounted to \$253,404,864.87.

In setting up the fund it was further recognized that the ability of the government to retire debt would increase in proportion as payments in the way of interest upon the debt decreased. The act accordingly provided that there should annually be paid into the Sinking Fund, in addition to this fixed and constant sum of \$253,404,864.87, a further sum equal to all the interest that would have had to be paid on all obligations retired through the sinking fund since its first creation. It is manifest that this second payment will steadily increase as the aggregate of the bonds retired through the sinking fund increases. The result of this provision is that, in so far as the operations of the Sinking Fund are concerned, the total debt charge upon the annual budgets, that is, the total of the charges for payment of interest and retirement of principal, remains at a constant figure. Any budgetary gain resulting from the cessation of payment of interest is automatically transferred to the item of payment of principal. Were the operations of the Sinking Fund the only means of debt payment, the total debt charge would thus remain at a constant figure until the entire debt had been paid. In point of fact, as will be shown, large amounts of debt have been retired through the operations of the other provisions that have been mentioned. The reduction in the interest charges thereby brought about has been immediately reflected in the budget, and has been one of the important reductions in expenditures that has made possible the successive reductions in taxation.

Table 32 shows the payments that have been made to this fund from the General Fund of the treasury since it began to operate in 1920, all of which have been immediately ap-

plied to the purchase and retirement of outstanding World War bonds or notes.

The most interesting feature of this table is the steady increase in the item representing interest that would have been paid on the bonds and notes purchased had these bonds been held by the fund as an investment. The act, however, directed that all the moneys received by the fund should be employed by the Secretary of the Treasury in the retirement of maturing debt, or if found advantageous, in the purchase in the open market of unmatured debt at an average cost of not to exceed par and accrued interest dur-

32. CUMULATIVE SINKING FUND, RECEIPTS

Fiscal Year	Fixed Appropriation	Interest	Total
1921.....	\$253,404,864.87	\$2,825,145.79	\$256,230,010.66
1922.....	253,404,864.87	19,726,666.86	273,131,531.73
1923.....	253,404,864.87	30,716,510.59	284,121,375.46
1924.....	253,404,864.87	41,515,473.36	294,920,338.23
1925.....	253,404,864.87	53,261,890.96	306,666,755.83
1926.....	253,404,864.87	67,779,688.84	321,184,553.71
1927.....	253,404,864.87	83,485,942.38	336,890,807.25
1928.....	253,404,864.87	101,676,452.51	355,081,317.38
1929.....	253,404,864.87	116,835,624.08	370,240,488.95
1930.....	253,404,864.87	129,520,674.14	382,925,539.01
Totals.....	\$2,534,048,648.70	\$647,344,069.51	\$3,181,392,718.21

ing one year. In point of fact, the Secretary of the Treasury has at times been able to purchase outstanding securities at less than par, with the result that a larger par value of debt has been extinguished than is represented by the payments from the Sinking Fund. It should be said that, in setting up the Sinking Fund it was calculated that the two payments required to be made to it would be adequate to retire in twenty-five years that portion of the war debt not covered by the repayment of war advances to foreign governments. The refunding of these advances to foreign governments on a basis where their repayment is extended over a much longer period of years than twenty-five of course disturbs this calculation that the entire war debt would be extin-

guished in that period of time. On the other hand, this change has been in part offset by the extent to which debt has been and is likely to continue to be paid by other means than the Sinking Fund.

Much has been written regarding the futility of sinking funds as a device for the payment of public debts. In respect to their employment it is pointed out that at best they represent merely the doing of something indirectly that can be as well or better done directly; that the only real means of debt payment is so managing financial affairs that there is a surplus of income over expenditures; that if there is such a surplus it can as a matter of course be applied to payment of debt without resort to any artificial system of having this money first paid to a special fund known as a sinking fund and then used by the latter for the purchase and retirement of debt obligations; that if there is no such surplus the making of payments to a sinking fund which involves the setting up of a deficit elsewhere accomplishes no useful purpose but on the other hand tends to mislead in respect to what is really taking place in respect to net reduction of debt; that it is an impossibility for a government such as that of the United States to make a binding contract with itself or for one Congress to take action that will bind its successors, and that, consequently, it is almost certain that at the first real pinch the system will be modified or the operation of its payments temporarily suspended.

All of this is quite true. At the same time, however, the setting up of a sinking fund with prescribed payments to be made to it for debt reduction purposes, can be made to serve a very useful purpose, and, in the case of the existing Sinking Fund of the federal government has, it is believed, rendered such service. In the first place, the setting up of this fund has resulted in a declaration of the most formal character that the policy of the government is one of progressive debt payment. It has, secondly, set forth the general rate at which this reduction should take place, independently of all other reduction of debt through the realization upon

other assets. By not merely authorizing, but actually appropriating, the sums called for as payments to the Sinking Fund it has provided that these payments shall constitute integral items of the expenditure side of the budget to be provided for as other expenditures. All the discussion that takes place regarding the actual or prospective budgetary surplus or deficit has then to do with totals which include required payments to the Sinking Fund. The whole matter of the revenue and expenditure program of the government, and the extent to which conditions warrant a reduction in

33. REDUCTION OF PUBLIC DEBT,

	1921	1922	1923	1924
1. From Ordinary Receipts				
1. Sinking Fund.....	\$261,100,350.00	\$276,046,000.00	\$284,018,800.00	\$295,987,350.00
2. Foreign Government Obligations:				
1. Repayment principal, cash.....	73,939,300.00	64,837,900.00	32,140,000.00	38,509,150.00
2. Repayment principal, bonds.....				22,964,550.00
3. Interest payments, bonds.....			68,752,950.00	87,913,900.00
Total Foreign Government Obligations.....	73,939,300.00	64,837,900.00	100,892,950.00	149,387,600.00
3. Estate taxes.....	26,348,850.00	21,084,850.00	6,568,550.00	8,897,050.00
4. Franchise tax, Federal Reserve banks	60,724,500.00	60,333,000.00	10,315,300.00	3,034,550.00
5. Net Earnings Federal Intermediate Credit banks.....				
6. Gifts, forfeitures, etc.....		392,850.00	554,891.10	93,200.00
Total from Ordinary Receipts.....	422,113,000.00	422,694,600.00	402,850,491.10	457,999,750.00
2. From Surplus: General Fund of the Treasury.....		486,121,592.31	210,823,851.85	640,894,625.87
TOTAL REDUCTION OF DEBT.....	\$422,113,000.00	\$908,816,192.31	\$613,674,342.95	\$1,098,894,375.87

taxation, are thus handled on the basis that this declared policy of the government in respect to debt reduction will be carried out. This giving of relative permanency and definiteness in respect to debt reduction and making it an integral part of the government's annual financial program is a great gain, and more than justifies the sinking fund device, even though it may seem to have merely a bookkeeping character.

Other Provision for Debt Reduction. Little comment is required regarding the other provisions for the retirement of debt. It was quite logical and desirable that the war loans to foreign governments should be treated as offsets to the debt and that, as realized upon, their proceeds should be

applied to reduction of debt. The controlling motive underlying the provision that the debtor governments might discharge their obligations as regards both principal and interest through the surrender of the war obligations of the national government was probably to strengthen the market for such securities, since should they at any time drop below par it would be advantageous to the debtor governments to enter the market as purchasers, an action that would tend to enhance the price, or at least prevent a further drop. All bonds surrendered in this way are as a matter of course

CLASSIFIED BY CHARACTER OF PAYMENT

1925	1926	1927	1928	1929	1930
\$306,308,400.00	\$317,091,750.00	\$333,528,400.00	\$354,741,300.00	\$370,277,100.00	\$388,368,950.00
386,100.00	4,393,500.00	19,254,500.00	19,068,000.00	571,150.00	51,135,000.00
22,823,000.00	20,000,000.00	.....	27,428,700.00	37,895,300.00	40,355,250.00
155,970,500.00	130,260,000.00	159,961,800.00	135,307,350.00	137,747,050.00	69,455,600.00
159,170,000.00	169,653,500.00	179,216,300.00	171,804,050.00	176,213,500.00	160,925,850.00
47,550.00	59,310.83	.....	1,500.00	20,000.00	73,100.00
113,046.58	.....	.....	249,591.17	2,667,100.00	4,283,000.00
680,513.30	508,559.86	1,231,824.78	377,775.88	266,300.00	172,000.00
208,463.95	62,000.00	5,673,310.60	3,080,803.25	158,703.75	60,703.25
466,538,113.83	487,376,050.69	519,554,844.78	540,255,020.30	549,603,703.75	553,883,603.25
268,080,987.76	385,001,522.02	611,754,539.56	367,358,710.12	123,601,013.58	191,895,049.42
\$734,619,101.59	\$872,677,572.71	\$1,131,309,383.34	\$907,613,730.42	\$673,204,717.33	\$745,778,652.67

cancelled. Payments made in this way, in so far as they represent the principal of the debt, have no effect upon the reduction of debt, since had the payments been made in cash they would have been applied to the purchase and cancellation of debt. The same, however, is not true of payments made in this way on account of interest. If these payments are made in cash they are covered into the General Fund the same as other receipts. If made in bonds these bonds are cancelled and a corresponding reduction in debt brought about. In point of fact, the debtor nations have to a large extent availed themselves of this provision with the result that debt reduction has been considerably speeded up.

In the opinion of the writer there is little justification for

the provisions requiring certain revenue receipts, such as the franchise tax on Federal Reserve banks, estate taxes, gifts, etc., to be devoted to debt payment. The sums realized from these sources are comparatively small. Compliance with the provisions complicates the keeping and stating of the public accounts. These provisions were made prior to the setting up of the Sinking Fund. Now that systematic provision has been made for the reduction of debt through this device and the application of the principal of war loans repaid, these provisions might well be repealed. At any rate, if at any time the decision is made to reduce the rate of debt reduction, it should preferably take the form of eliminating these provisions rather than a modification of the sinking fund requirements.

Debt Reduction Classified by Character of Payments. Table 33 shows the moneys applied to debt reduction during the period 1921-1930, classified according to the source from which derived.²

From this table it will be seen that the great reduction in debt that has taken place during this period has been due to the three items of Sinking Fund, foreign obligations, and surplus of the General Fund of the treasury. As regards the foreign obligations, it will be noted that the item of interest largely exceeds that of repayment of principal. This has been due to the fact that the foreign governments have found it advantageous to pay such interest to a large extent through the surrender of federal bonds purchased by them in the open market at a discount. It is more than likely that payments of this kind will not be as important in the future, since the tendency is for federal bonds to be quoted closely to or above par.

² The figures for Sinking Fund do not correspond with those given in Table 32, since they represent payments *from* the Sinking Fund in purchase of bonds, while those given in Table 33 represent payments *to* the fund. Furthermore, the figures here given represent the amount of debt retired, which in cases is larger than the payments made from the fund, since bonds were purchased at a discount. The same qualification applies to reduction of debt from other receipts indicated.

CHAPTER XVIII

EXISTING DEBT CLASSIFIED BY CHARACTER

In the preceding chapter consideration has been given to the provision that has been made for the systematic reduction of the debt. It is of interest to know the effect that these payments have had in reducing the amount of the debt and the character of the debt outstanding. The close of the war left the government with a debt that was huge in amount as well as very unevenly distributed as regards its maturity. A very considerable portion of it was represented by short term obligations for the payment or refunding of which immediate or early provision had to be made. The long term debt represented by the several liberty loans, was in large blocks maturing on the same date, the complete payment of which on their maturity, or on becoming payable, was impracticable. The treasury was thus confronted with a refunding problem of the first magnitude. It does not fall within the scope of this study to attempt to trace in any detail this work of refunding, which constituted one of the major tasks of the treasury during the period following the close of the war, and which has now been substantially accomplished. In carrying through this work of refunding, the treasury was dominated by certain desiderata, the more important of which were: to reduce debt by payment in cash as rapidly as circumstances permitted, to refund maturing, or payable, debt through the issue of new securities bearing a lower rate of interest than that borne by the obligations so payable or maturing, and to distribute the debt outstanding according to maturity dates so that future maturities could be readily handled. Especially had care to be taken that a sufficient amount of debt would mature or become payable each year to permit of the meeting of the sinking fund requirements in respect to the purchase and retirement of outstanding obligations. Also it was desirable that the particular dates on which such obligations

became payable or matured and on which the payment of interest had to be made should correspond to the quarterly dates, March 15, June 15, September 15, and December 15, on which the treasury received the bulk of its income from income and corporation taxes. It is due to these several desiderata that the refunding of the debt has not taken the form of a few large issues but of a large number of issues, varying from short-term obligations running for less than two years, intermediate-term issues running for a few years, and other issues not maturing for a considerable period of years.¹

These multifarious issues fall, however, in a number of distinct classes. Table 34 is designed to set forth the amount of the debt outstanding on June 30, 1930, listed according to these classes.

A few words should be said regarding the character of the several classes of obligations listed in Table 34.

Pre-War Bonds. As the name indicates, pre-war bonds are those issued prior to the World War. They represent for the most part the balance of the debt incurred for the financing of the Civil War and for the construction of the Panama Canal. Although the act authorizing the construction of the Panama Canal provided that the cost might be met from the sale of bonds, a large part of such cost was in fact met from the ordinary receipts of the government. Characteristics of the pre-war bonds are the low rate of interest borne by them and the fact that they are available as collateral against which National banks may issue their circulating notes.

War-Liberty Bonds. Liberty bonds represent the bonds issued for the financing of the late war in so far as such bonds have not been redeemed or converted into other obligations as the result of post-war debt payment and refunding operations.

¹ For an exceptionally interesting account of this refunding problem and the way it was met by the treasury, see Address by Hon. Ogden L. Mills, Under-Secretary of the Treasury, on "Treasury Financing" at the University of Virginia Institute of Public Affairs. Bulletin of the University of Virginia, Oct. 1, 1927.

34. PUBLIC DEBT, JUNE 30, 1930, CLASSIFIED BY CHARACTER ^a

1. Interest Bearing		
1. Bonds		
1. Pre-war	\$772,544,850.00	
2. War-Liberty bonds	8,201,803,900.00	
3. Treasury bonds	3,136,986,600.00	
Total bonds		\$12,111,335,350.00
2. Treasury Notes		
1. Governmental Trust Funds		
1. Adjusted Service Certificate Fund	629,200,000.00	
2. Civil Service Retirement Fund	134,100,000.00	
3. Foreign Service Retirement Fund	871,000.00	
Total Government Trust Funds	764,171,000.00	
2. Other	1,626,115,500.00	
Total Treasury Notes		2,390,286,500.00
3. Treasury and War Savings certificates		
4. Certificates of indebtedness	1,264,854,500.00	
5. Treasury bills	155,916,000.00	
Total Interest Bearing		15,921,892,350.00
2. Matured Debt on which Interest has Ceased		
1. Pre-war bonds	1,712,320.26	
2. War-Liberty bonds	16,610,600.00	
3. Treasury notes	412,000.00	
4. Treasury Savings certificates	1,646,450.00	
5. Certificates of indebtedness	11,272,000.00	
6. Treasury bills	62,000.00	
Total Matured Debt on which Interest has Ceased		31,715,370.26
3. Debt Bearing no Interest		
1. U. S. Notes (less gold reserve)	190,641,927.97	
2. Old demand notes	53,012.50	
3. National Bank notes (assumed by the United States on deposit of lawful money for their retirement)	35,570,939.50	
4. Fractional currency	1,990,512.42	
5. Thrift and Treasury Savings stamps, etc.	3,444,186.53	
6. Matured interest obligations outstanding	31,504,143.45	
7. Discount accrued on Treasury (War) Savings certificates, Matured series	5,173,550.00	
8. Checks outstanding	76,179,751.11	
Total Debt Bearing no Interest		344,558,023.48
Total Gross Debt		16,298,165,743.74
Deduct: Treasury Balance		312,782,915.03
TOTAL NET DEBT		\$15,985,382,828.71

^a The classification of debt here given corresponds closely with that used by the Treasury Department in its "Monthly Statement of the Public Debt" and other financial reports. The only important departure from such statements is that these statements do not list the last four items under the heading

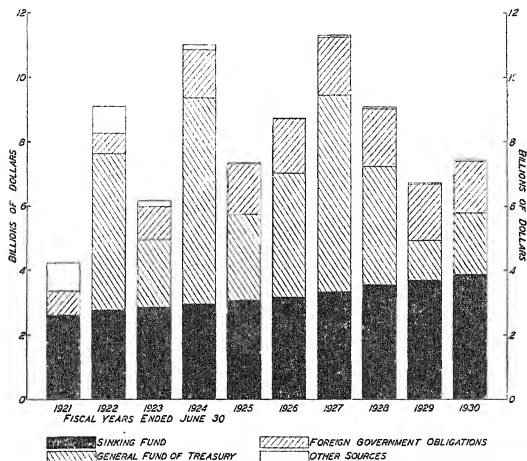
Treasury Bonds. Treasury bonds represent bonds issued subsequent to the late war as one of the means of refunding the World War bonds on their becoming redeemable or maturing. The large amounts involved and the desirability of spreading maturities over a considerable period of years led the treasury to refund a portion of this debt by the issue of long-term obligations.

Treasury Notes. Treasury notes are relatively short long-term obligations, running for not to exceed five years, though redeemable at a shorter interval of years, issued by the treasury in refunding World-War bonds. These notes are of two kinds; those issued for refunding purposes generally and those issued as a feature of investing the assets of certain government trust funds. Those issued for the latter purpose have such a special character and the motives for making use of them in investing the assets of these funds are of such interest as to warrant a more particular description of them.

The Adjusted Compensation Act of May 19, 1924, provided for the grant to the veterans of the World War of payments having for their purpose to adjust the compensation that had been paid to them with a view to making such compensation as was held more adequate in amount. Had it been provided that such additional or adjusted compensation should be paid at once, it would have involved the immediate payment by the treasury of sums running into the hundreds of millions or billions of dollars. The act accordingly pro-

Debt Bearing No Interest or the grand total designated Total Gross Debt. They are listed below this total and added to this total so as to give a new total of gross debt, though not so designated, which corresponds to the Total Gross Debt as given in this table. It is difficult to see why this procedure is followed by the Treasury Department, since these four items constitute debt bearing no interest and should be so classified. Nor is the distinction sought to be set up, that between fixed and current debt obligations, since items appearing under the heading Debt Bearing No Interest are payable upon presentation as well as the four segregated items. The Treasury statements are thus confusing, if not misleading, since they contain the item, Total Debt Bearing No Interest, which does not include all items of debt bearing no interest, and an item, Total Gross Debt, which is not a true total, since it does not include the four items that have been mentioned, which is recognized by the treasury statement itself, since these four items are added to the Total Gross Debt to produce a new total which bears no designation in the statement.

vided that instead of such payments being made to the veterans in cash, there should be issued to them certificates in the amount due them, such certificates to be redeemed only at the expiration of twenty years, or upon the death of the veteran if it occurred prior to the expiration of that term. These certificates thus have the character of fully



14. PUBLIC DEBT REDUCTION
(From Table 34)

paid up life-endowment insurance policies running for a maximum of twenty years.

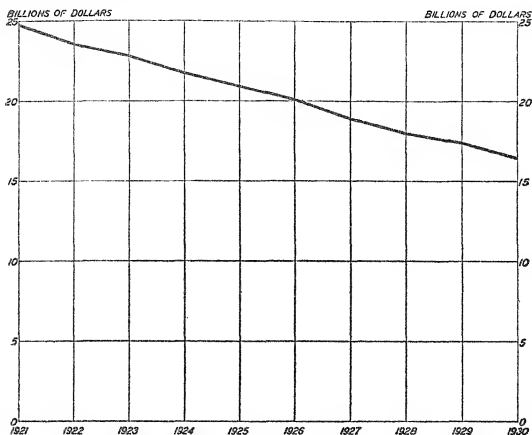
If no further provision had been made, this would have resulted in the payment by the treasury of constantly increasing sums during the twenty-year period and a very large sum at the end of the period. To avoid this and to spread the charges against the treasury more equitably over the twenty-year period, provision was made for the setting up of a so-called Adjusted Service Certificate Fund, to which

should be paid on January 1 of each year an amount, based upon the American Experience Table of Mortality, which, if kept invested at 4 per cent, compounded annually, would be sufficient to pay the face value of the adjusted service certificates upon their maturity in twenty years or upon prior death of the veteran. The Secretary of the Treasury was authorized to invest and reinvest the moneys so paid into the fund from the General Fund of the treasury and the interest earned by the fund in interest-bearing obligations of the United States, and to sell these obligations from time to time as money was needed by the fund in order to meet the maturing fund obligations.

It will be noted that the calculation was made on the basis of the fund earning exactly 4 per cent, compounded annually. No purpose would have been served by seeking to invest the fund in securities returning more than that rate, since this would simply mean an accumulation in the fund of more than was necessary to meet the payments. On the other hand, if the investment of the fund bore an interest rate of less than 4 per cent, compounded annually, the fund would be insufficient to meet payments as they became due. It was, therefore, impossible to meet the investment requirements of the fund exactly through the fund going into the market and purchasing outstanding federal obligations, since there were no federal obligations outstanding which would give an exact return of 4 per cent annually on their market price. Furthermore, it would be necessary for the fund each year to realize upon its investments in order to secure the cash necessary for meeting maturing adjusted service certificates, and market conditions might make it difficult for the fund to realize upon its securities under advantageous conditions. Finally, there would still remain the fact that a large sum would become payable at the expiration of twenty years which would involve realization upon the large amount of securities then possessed by the fund.

If the treasury was required each year on the first of January to purchase for the fund securities running into the millions of dollars, it could not place such a large order without unduly increasing the market price which the fund

would have to pay, and if in the course of the year it had to sell securities to provide the fund with cash the tendency would then be to depress the government securities on the market. The adoption of the practice of buying and selling on the open market would thus mean that the treasury would be continually purchasing for the fund on a high market and selling on a low market.



15. DECREASE OF GROSS PUBLIC DEBT
(From Table 34)

To meet these conditions, the treasury devised the exceedingly clever and interesting device of issuing on January 1 each year treasury notes bearing 4 per cent interest in the amount of the payment to be made to the Adjusted Service Certificate Fund and of purchasing as it were these notes with the cash payable to the fund and turning over to the fund the treasury notes thus purchased. These notes are short-term obligations and are thus constantly maturing at varying dates, thus producing the cash needed by the fund

to meet its current payments of certificates maturing on account of the death of veterans.

In a statement given to the press under date of January 2, 1925, the treasury in explaining this method of handling the investment of this fund stated that it had the following advantages: (1) That the securities exactly fit the actuarial requirements which the law prescribes as the basis for fixing the appropriations for the fund; (2) that the bond market would not be disturbed by a purchase of a very large block of securities early in January and by a subsequent continuous pressure for the sale of securities to provide cash for the fund throughout the year, the effect of which would be buying on a high market and selling on a low market; (3) that commissions to brokers on the purchase and sale of government securities would be saved; (4) that it was not necessary to borrow on December 15th (the usual financing day for general governmental purposes nearest January 1st) additional cash and to carry this cash with a consequent loss of interest until it could be invested in government securities on the market after the first of the year when the appropriation became available; (5) that the cash demands of the fund could be immediately satisfied by the redemption by the treasury of the special treasury notes, thus giving the whole plan great flexibility; and (6) that when the adjusted service certificates mature, about 1944, the treasury would be in a position to do the necessary financing to meet the conditions then existing without being compelled to sell a lot of miscellaneous government securities perhaps unsuited to the market and to the treasury's program.

Practically the same plan was evolved by the treasury for handling the investment of the assets of the Civil Service Retirement Fund and the Foreign Service Retirement Fund.

It will be noted that although these treasury notes are held by the three government trust funds that have been mentioned, they still are treated, and properly so, as part of the outstanding debt obligations of the government.

Treasury and War Savings Certificates. Both the treasury and the war savings certificates are obligations issued dur-

ing the war in a form specially devised to appeal to the small investor. They were authorized by the Liberty Bond Act of September 24, 1917, and subsequent legislation. The treasury savings certificates were issued in amounts of \$25, \$100, and \$1000 maturity value. The war savings certificates had a maturity value of \$5. In order to facilitate the purchase of these securities thrift stamps at twenty-five cents and treasury savings stamps at one dollar were sold. These stamps were affixed to cards which when filled in were received by the Treasury in payment of the treasury and war savings certificates. Both the savings stamps and the certificates were sold on a discount basis, the principal amount being payable on a fixed date, five years or less, from the date of their issue. In all, securities of this kind were issued to a total amount having a maturity value of \$2,098,733,317.75, though they brought into the treasury only \$1,623,126,446.89, the difference representing the discount allowed at time of purchase in lieu of interest.² The last maturity date of these certificates was July 15, 1929.

Certificates of Indebtedness. Together with the treasury bills that will shortly be described, certificates of indebtedness represent the means by which the treasury does its short-time financing. These certificates have maturities of from three to twelve months and have been issued quarterly on the income tax payment dates of March 15, June 15, September 15, and December 15, maturing on one or another of such dates.

In issuing these certificates certain important considerations have to be taken into account. Among these the most important are to secure as low a rate of interest as possible, to avoid disturbing the money market, and to provide for the maturing of the certificates on dates when they can best be cared for. These several desiderata are met as here described.

The Federal Reserve banks are the fiscal agents of the treasury and the latter's checking accounts are for the most part kept with them. Treasury balances in these banks

² Secretary of the Treasury Annual Report, 1929, p. 15.

thus represent money withdrawn from the market. Unless provision is made in some way to avoid it, these cash balances would rise to a peak on the quarterly dates that have been mentioned and then, on account of governmental expenditures, would drop to a minimum just before the next quarterly date, which would mean a variation of in the neighborhood of \$300,000,000 between the high and low points. Taxpayers would draw the money from the commercial banks in order to make their tax payments, which payments would be made to the Federal Reserve banks to the treasury account, thereby making a large draft upon the available funds in the commercial banks and as a result influencing interest rates generally.

It is true that this situation might be met by redistributing these deposits among the commercial banks upon some arbitrary basis. This would, however, inevitably subject the treasury to political pressure from time to time in favor of particular banks or particular districts. It was to avoid this that the short-time financing of the treasury through the certificates of indebtedness was arranged so that these certificates would mature on the tax payment dates. Each quarter, the treasury estimates the amount of money that will be needed by it to meet expenditures of all kinds during the ensuing three months. To this sum, it adds the amount of certificates maturing, and from the sum thus reached, deducts the estimated receipts during the period. The difference represents the amount that it will be necessary to borrow in order to carry the government through the next quarterly period. As receipts have generally overrun expenditures, this difference has generally been less than the amount maturing, with the result that the refunding can usually be made for a smaller amount than that of the maturing certificates and the public debt is thus reduced out of surplus.

In issuing the new certificates, the treasury examines the list of maturities of outstanding obligations for the purpose of determining the length of time that it is desirable that the new issues shall run. If, for example, it finds that there is a vacant maturity date six months later, its new issues

will take the form of certificates of indebtedness running for six months. If it finds a vacant date eighteen months or longer, it will resort to the issue of treasury notes which, as have been described, have a life of from one to five years.

The procedure followed by the treasury in the disposal of these certificates to the public was very interestingly described by Hon. Charles S. Dewey, then Assistant Secretary of the Treasury, in an address delivered before the Pennsylvania Bankers' Convention, at Pittsburgh, on June 8, 1927. The description given below follows Mr. Dewey's statement very closely and it places even its language.

The first step taken is to notify the fiscal agents of the contemplated offering of new securities and their general character. This information is not given until the last practicable moment. Upon the receipt of this advice each Federal Reserve bank notifies the member banks in its district requesting them to forward to it their subscriptions. Upon the same date the treasury issues a statement to the press describing all of the details of the issue. In this way the effort is made to give the broadest possible publicity to the projected transaction.

Immediately following this announcement, subscriptions begin to pour into the Federal Reserve banks from the banks in their districts, which have received them from their customers or are subscribing on their own account. These subscriptions are divided into two classes; exchange subscriptions, that is, the offering of the maturing securities in exchange for the new, and cash subscriptions, that is, the offer to purchase the new securities for cash. Acceptance of exchange subscriptions reduces correspondingly the cash required to pay maturing issues so that the larger the percentage of this class of subscriptions accepted the less draft there will be made upon cash and the larger the amount of cash that will remain in the treasury available for meeting the expenses of the ensuing quarterly period. In determining the relative percentages of exchange and cash subscriptions that will be received, the treasury is largely governed by its cash position at the time.

The Federal Reserve banks notify the treasury daily by wire of the total amount of subscriptions received, classifying them into the two groups mentioned and further classifying the cash subscriptions by principal amounts, that is to say, how many individual subscriptions are received for \$1000, \$10,000, \$50,000, etc. This information is necessary in order that the treasury may make a fair allotment of the issue to subscribers. These short-term government securities have become so popular as a means of investment by banks and corporations that the issues are invariably heavily oversubscribed. Due to this oversubscription, the treasury has equitably to allot the amounts to be issued to the several classes of subscribers.

The period for receiving subscriptions generally lasts for from three to four days, depending somewhat upon the size of the offering and the condition of the money market. When the treasury sees from the daily reports from the Federal Reserve banks that its requirements have been fully met, it sends out a notice terminating the offer as of a certain date and hour. When all of the banks have made their final report, the allotment is then made. This, as has been indicated, is based upon the idea of making as nearly an equitable division among all classes of subscribers as possible, the treasury policy being to avoid any class or district receiving preference in the matter of allotments.

Especially interesting is the provision that is made for the payment of subscriptions by the banks. Any incorporated bank or trust company desiring to participate in deposits of public money arising from the sale of bonds, treasury notes, or certificates of indebtedness may make application to the Federal Reserve Bank of its district to become a "Special Depository" with a "War Loan Account" and qualify by depositing authorized securities. Payments for subscriptions are made in the form of exchanges of maturing issues or in cash, or in case the bank making the subscription is a special depository having a War Loan Account by a credit to that account in favor of the Federal Reserve bank of its district as fiscal agent of the United States. To quote Mr. Dewey directly: "Too great emphasis

cannot be placed on the importance of the special depository system. Since the new issues of securities are offered on tax payment dates, if the subscribing banks were required to make payment therefor in cash, such payment, together with the heavy withdrawals by depositors for the purpose of meeting quarterly installments of taxes, would create a serious financial disturbance unless prompt redeposit of the funds was made in the same localities from which drawn. Under the existing system, whereby the subscribing bank is permitted to make payment for the securities by credit in its 'War Loan' account, the full amount of the subscription is for the time being retained by the bank. Withdrawals are subsequently made as the government has need for funds, but such withdrawals are gradual, covering a period of several months following the deposit, with the result that there is complete avoidance of the shock which would be inevitable if these subscriptions, in the first instance, were required to be paid in cash on the date on which the securities were issued."

The advantages of this system are thus set forth by the Secretary of the Treasury:³

The system of Treasury certificate maturities and sales on quarterly dates, and payment by deposit credit, serves the following purposes: First, it maintains a part of the outstanding war debt in the form of short-term securities, which, on the whole has been advantageous from the standpoint of reducing interest charges; second, it provides the necessary funds to meet the current obligations of the Government; third, since the maturities of the certificates coincide with the period during which heavy tax payments are received, and since new certificates are paid for by deposit credit and not cash, an effective system has been provided for preventing heavy withdrawal of funds from the money market with consequent serious disturbance; fourth, it makes the selection of the depository and the amount of Government deposits in any one bank depend not upon the discretion of the Secretary of the Treasury but upon the amounts of the several subscriptions of the qualifying banks; fifth, it furnishes the Government with a first-class primary market for its securities and with the machinery through which a secondary distribution can be effected.

³ Annual Report, 1929, p. 39.

Treasury Bills. Treasury bills consist of a new form of short-term obligation authorized in 1929. Great as are the advantages of the system of certificates of indebtedness, these securities nevertheless have certain drawbacks. These, as set forth by the Secretary of the Treasury,⁴ are as follows:

1. The practice of the Treasury of borrowing, on quarterly tax dates, amounts sufficient to provide for the excess of the ordinary expenditures over the receipts of the Government during the following quarter, naturally results in the carrying of large deposits over considerable periods of time. This means that until the Government has actual use for the funds borrowed it loses the difference between the coupon rate of the securities issued and the 2 per cent which it receives from the banks on its deposits.

2. While the maturing of certificates synchronizes in general with the collection of income taxes, as a matter of fact these certificates are for the most part presented for redemption on the due date, whereas the collection of income tax checks is spread over a period of some days. As a result, Treasury disbursements exceed receipts during every income tax payment period, and the Treasury is obliged to borrow temporarily from the Federal reserve banks and to pay interest on this temporary borrowing in addition to the interest on the newly issued securities.

3. Since certificates are issued bearing a fixed coupon rate, the Treasury Department is confronted with the difficult task of accurately adjusting the interest rate to current market conditions.

4. The issue of securities on certain fixed dates lacks that flexibility which is desirable to enable the Treasury to take advantage of favorable money conditions.

5. Banks subscribe for Treasury certificates mainly because of the deposit privilege. A bank can generally afford to subscribe for these certificates and sell them immediately after or even previous to their issue at a discount, to the detriment of the Government credit.

To meet these objections Secretary Mellon requested Congress to pass an act that would permit him to issue a new form of short-term obligations to be known as "treasury bills." This Congress did by the passage on June 17, 1929, of an act authorizing the Secretary of the Treasury to issue in addition to certificates of indebtedness, treasury bills in

⁴ *Ibid.*, p. 40.

order "to provide for the purchase or redemption before maturity of any certificates of indebtedness or treasury bills issued hereunder and to meet public expenditures authorized by law." These bills, it was provided, should be issued on a discount basis and payable at maturity without interest, and should be sold on a competitive basis.⁵

⁵ This act which is entitled "An Act to amend Section 5 of the Second Liberty Bond Act as Amended," reads as follows:

That Section 5 of the Second Liberty Bond Act, as amended (United States Code, title 31, section 754), is hereby amended to read as follows:

Sec. 5. (a) That in addition to the bonds and notes authorized by sections 1 and 18 of this Act, as amended, the Secretary of the Treasury is authorized to borrow from time to time, on the credit of the United States, for the purposes of this Act, to provide for the purchase or redemption before maturity of any certificates of indebtedness or Treasury bills issued hereunder, and to meet public expenditures authorized by law, such sum or sums as in his judgment may be necessary, and to issue therefor (1) certificates of indebtedness of the United States at not less than par and at such rate or rates of interest, payable at such time or times as he may prescribe; or (2) Treasury bills on a discount basis and payable at maturity without interest. Treasury bills to be issued hereunder shall be offered for sale on a competitive basis, under such regulations and upon such terms and conditions as the Secretary of the Treasury may prescribe, and the decisions of the Secretary in respect of any issue shall be final. Certificates of indebtedness and Treasury bills issued hereunder shall be in such form or forms and subject to such terms and conditions, shall be payable at such time not exceeding one year from the date of issue, and may be redeemable before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe. Treasury bills issued hereunder shall not be acceptable before maturity in payment of interest or of principal on account of obligations of foreign governments held by the United States of America. The sum of the par value of such certificates and Treasury bills outstanding hereunder and under section 6 of the First Liberty Bond Act shall not at any one time exceed in the aggregate \$10,000,000,000.

(b) All certificates of indebtedness and Treasury bills issued hereunder (after the date upon which this subdivision becomes law) shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority; and the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest within the meaning of this subdivision.

(c) Wherever the words "bonds and notes of the United States," or "bonds and notes of the Government of the United States," or "bonds or notes of the United States" are used in the Federal Reserve Act, as amended, they shall be held to include certificates of indebtedness and Treasury bills issued hereunder.

Regarding these bills and their advantages the Secretary of the Treasury writes:⁶

Several important advantages may be expected to follow the use of the new form of short-term financing: First, competitive bidding for these bills should enable the Treasury to realize the lowest discount rates consistent with market conditions; second, the sale of these securities can be timed to coincide almost exactly with the need for funds, thus saving the interest on money borrowed ahead of requirements; third, maturities can be timed to correspond closely to the actual collection of income taxes instead of all falling on the nominal date of tax payments; fourth, the Treasury will be able to take advantage of periods of seasonal ease for short-term borrowing instead of being compelled, as has sometimes occurred in the past, to offer a large issue of securities during a period of temporary stringency and high money rates; fifth, since the discount rate is fixed by the market, and the bills are bought for cash by those who mean either to hold them as investments or for secondary distribution, they will not tend immediately to fall below issue price to the detriment of Government credit; sixth, the banks and the investing public will be furnished with a new instrument for the investing of temporary surplus funds with frequent and convenient maturities.

It should be pointed out that while this is a new type of security to the United States Government, there is nothing novel in the form, since it corresponds closely to one of the oldest and best established types of commercial paper, the bankers' bill. The Treasury bill has been used for many years by the British Treasury as a most convenient and economical medium to obtain funds to meet current needs. The British Treasury has so developed the system of financing by means of treasury bills that with weekly offerings, daily issues, and daily maturities it has obtained a degree of flexibility that enables it to adjust its cash position practically from day to day.

It is not the purpose of the United States Treasury to replace the old system but rather to continue the issue of certificates of indebtedness for its regular short-term financing, supplementing with the issue of small amounts of Treasury bills when the need for funds between quarterly dates arises and the condition of the money market is propitious.

⁶ Annual Report, 1929, p. 41.

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35. PUBLIC DEBT, JUNE 30, 1930,
CLASSIFIED BY CHARACTER AND ISSUE

	Date of Loan	Date Redeemable or Payable	Amount Outstanding	Interest Rate
1. Interest Bearing				
1. Bonds				
1. Pre-War				
Consols of 1930	1900	1930	\$599,724,050.00	2%
Panama Canal loan	1906	1916-36	48,954,180.00	2%
Panama Canal loan	1908	1918-38	25,947,400.00	2%
Panama Canal loan	1911	1961	49,800,000.00	3%
Conversion bonds	1916-17	1946-47	28,894,500.00	3%
Postal Savings bonds	1911-30	(1)	19,224,720.00	2½%
Total Pre-War Bonds			772,544,850.00	
2. War Liberty Bonds				
First Liberty loan				
3½% Bonds of 1932-47	1917	1932-47	1,392,256,250.00	3½%
Converted 4% bonds of 1932-47	1917	1932-47	5,005,450.00	4 %
Converted 4½% bonds of 1932-47	1918	1932-47	532,798,500.00	4½%
Second converted 4½% Bonds of 1932-47	1918	1932-47	3,492,150.00	4½%
Fourth Liberty loan				
4½% Bonds of 1933-38	1918	1933-38	6,268,251,550.00	4½%
Total War Liberty Bonds			8,201,803,900.00	
3. Treasury Bonds				
4½% Bonds of 1947-52	1922	1947-52	758,984,300.00	4½%
4 % Bonds of 1944-54	1924	1944-54	1,036,834,800.00	4 %
3½% Bonds of 1940-56	1926	1946-56	489,087,100.00	3½%
3½% Bonds of 1943-47	1927	1943-47	493,037,750.00	3½%
3½% Bonds of 1940-43	1928	1940-43	359,042,950.00	3½%
Total Treasury Bonds			3,136,936,900.00	
Total Bonds			12,111,335,350.00	
2. Treasury Notes				
1. Government Trust Funds				
1. Adjusted Service Certificate Fund				
Series A-1931	1926	1927-31	46,900,000.00	4%
Series B-1931	1926	1927-31	70,000,000.00	4%
Series A-1932	1927	1928-32	123,400,000.00	4%
Series A-1933	1928	1929-33	123,400,000.00	4%
Series A-1934	1929	1930-34	127,700,000.00	4%
Series A-1935	1930	1931-35	137,800,000.00	4%
Total Adjusted Service Certificate Fund			629,200,000.00	
2. Civil Service Retirement Fund				
Series-1931	1927	1928-31	31,200,000.00	4%
Series-1932	1927	1928-31	14,400,000.00	4%
Series-1933	(2)	1933 ³	47,800,000.00	4%
Series-1934	(4)	1934 ³	35,800,000.00	4%
Series-1935	1930	1931-35	4,900,000.00	4%
Total Civil Service Retirement Fund			134,100,000.00	
3. Foreign Service Retirement Fund				
Series-1933	(2)	1933 ³	385,000.00	4%
Series-1934	(4)	1934 ³	454,000.00	4%
Series-1935	1930	1931-35	32,000.00	4%
Total Foreign Service Retirement Fund			871,000.00	
Total Government Trust Funds			764,171,000.00	

35. PUBLIC DEBT, JUNE 30, 1930.
CLASSIFIED BY CHARACTER AND ISSUE—Continued

	Date of Loan	Date Redeemable or Payable	Amount Outstanding	Interest Rate
1. Interest Bearing				
2. Treasury Notes—Continued				
2. Other Treasury Notes				
Series A-1930-32.....	1927	1930-32	\$674,070,850.00	3½%
Series B-1930-32.....	1927	1930-32	500,311,700.00	3½%
Series C-1930-32.....	1928	1930-32	451,723,950.00	3½%
Total Other Treasury Notes			1,626,115,500.00	
Total Treasury Notes.....			2,390,286,500.00	
3. Treasury and War Savings Certificates				
4. Certificates of Indebtedness				
Series TS-1930.....	1929	1930	351,640,500.00	3½%
Series TD-1930.....	1930	1930	483,341,000.00	3½%
Series TJ-1931.....	1930	1931	429,373,000.00	2¾%
Total Certificates of Indebtedness.....			1,264,354,500.00	
5. Treasury Bills				
Series maturing July 14, 1930....	1930	1930	51,316,000.00	2.933⅞%
Series maturing August 18, 1930.	1930	1930	104,000,000.00	2.544⅞%
Total Treasury Bills.....			155,916,000.00	
Total Interest Bearing Debt..			15,921,892,850.00	
2. Matured Debt on Which Interest has Ceased				
1. Pre-War Bonds:				
Old debt (Matured prior to 1917)			1,267,340.26	
Loan of 1908-18.....	1898	1918	170,780.00	3%
Loan of 1925.....	1895	1925	274,200.00	4%
Total Pre-War Bonds.....			1,712,320.26	
2. War Liberty Bonds				
1. Second Liberty loan:				
Second 4½'s of 1927.....	1917	1927	1,117,150.00	4%
Second 4½'s of 1927.....	1918	1927	4,394,850.00	4½%
2. Third Liberty loan:				
Third 4½'s of 1928.....	1918	1928	9,665,550.00	4½%
3. Victory notes:				
3½'s of 1922.....	1919	1922	20,900.00	3½%
4½'s of 1923.....	1919	1923	1,412,150.00	4½%
Total War Liberty Bonds...			16,610,600.00	
3. Treasury Notes				
Series A-1924.....	1921	1924	27,700.00	5½%
Series B-1924.....	1921	1924	15,100.00	5½%
Series A-1925.....	1922	1925	44,000.00	4½%
Series B-1925.....	1922	1925	45,700.00	4½%
Series C-1925.....	1922	1925	32,800.00	4½%
Series A-1926.....	1922	1926	17,900.00	4½%
Series B-1926.....	1922	1926	29,300.00	4½%
Series A-1927.....	1923	1927	51,400.00	4½%
Series B-1927.....	1923	1927	148,100.00	4½%
Total Treasury Notes.....			412,000.00	
4. Treasury Savings Certificates				
Issue of December 15, 1921.....	1921	1926	223,550.00	3½%-4½%
Issue of September 30, 1923.....	1922	1927	768,075.00	3½%-4½%
Issue of December 1, 1923.....	1923	1928	654,825.00	3½%-4½%
Total Treasury Savings Certificates.....			1,646,450.00	

35. PUBLIC DEBT, JUNE 30, 1930,
CLASSIFIED BY CHARACTER AND ISSUE—*Continued*

	Date of Loan	Date Redeemable or Payable	Amount Outstanding	Interest Rate
2. Matured Debt on Which Interest has Ceased— <i>Continued</i>				
5. Certificates of Indebtedness Various.....	Various	Various	\$11,272,000.00	Various
6. Treasury Bills				
Series of 1930.....	1929	1930	55,000.00	3.276% ³
Series of 1930.....	1930	1930	7,000.00	3.300% ³
Total Treasury Bills.....			62,000.00	
Total Matured Debt on which Interest has Ceased.....			31,715,370.26	
3. Debt Bearing No Interest				
1. Legal tender notes (Less gold re- serve).....	Various	Various	190,641,927.97	
2. Old demand notes.....	"	"	53,012.50	
3. National Bank notes (Redemption account).....	"	"	35,570,939.50	
4. Fractional currency.....	"	"	1,990,512.42	
5. Thrift and Treasury Savings stamps	"	"	8,444,186.53	
6. Matured interest obligations out- standing.....			31,504,143.45	
7. Discount accrued on Treasury (War) War Savings Certifi- cates, Matured series.....			5,173,550.00	
8. Checks outstanding.....			76,179,751.11	
Total Debt Bearing No Interest.....			344,558,023.48	
Total Gross Debt.....			16,298,165,743.74	
Deduct Treasury Balance.....			312,782,915.08	
TOTAL NET DEBT.....			\$15,985,382,828.71	

¹ Redeemable on and after one year. Payable 20 years from issue. Amount outstanding has been issued gradually from 1911 to date.

² Various dates from June 30, 1928.

³ After one year from date of issue.

⁴ Various dates from July 1, 1929.

⁵ Non-interest bearing. Sold at a discount to give the approximate yield here stated.

Detail Data Regarding Existing Debt. For administrative, if for no other reasons, it is desirable to have readily available not only information regarding the general character of outstanding indebtedness, but detail data regarding each issue—the date of issue, date redeemable, date payable, amount outstanding, and interest rate. These data are given in Table 35 for each item of interest-bearing indebtedness outstanding on June 30, 1930. There would be little interest in seeking to give this information for the other years of the ten-year period.

APPENDICES

APPENDIX I

RECEIPTS, EXPENDITURES, AND PUBLIC DEBT, 1791-1930

Though the present study has for its purpose to cover the financial condition and operations of the government during the decade 1921-1930, it is thought of interest for comparative purposes to reproduce, in part, the data contained in the annual report of the Secretary of the Treasury for 1930 regarding the receipts, expenditures, and public debt during the entire period of the life of the national government, 1791 to 1930. The tables given in that report show total receipts and expenditures classified by "ordinary" and those relating to the issue and redemption of the public debt, ordinary receipts being further classified by main sources from whence derived and ordinary expenditures by main purposes for which made. For present purposes it is thought sufficient to reproduce only the figures for total ordinary receipts, exclusive of postal receipts but including postal surplus, ordinary expenditures exclusive of postal expenditures but including postal deficits, and the total gross debt. Persons desiring the details regarding the items contained in these totals can readily procure them by reference to the annual report of the Secretary of the Treasury.

In using these figures for comparative purposes, it must, of course, be borne in mind that they are prepared on quite a different basis from those used in the present study, no attempt being made in the Treasury Department statement to make the accounting distinctions between federal income and expenditures properly speaking and those pertaining to trust funds, between revenue and non-revenue receipts, governmental costs and non-governmental costs, etc., that have been made in the statements presented in the body of the present study. Though thus not strictly comparable with the latter statements, the Treasury statements do, however, indicate in a general way the movement of government receipts and expenditures and serve to bring out the vastly increased receipts and expenditures of the government during the post-war decade as compared with receipts and expenditures in earlier years.

RECEIPTS, EXPENDITURES, AND PUBLIC DEBT, 1791-1930

Fiscal Year	Total Ordinary Receipts	Total Ordinary Expenditures	Total Gross Debt June, 30 ¹	Fiscal Year	Total Ordinary Receipts	Total Ordinary Expenditures	Total Gross Debt June, 30
1791.....	\$4,418,913	\$4,269,027	\$75,463,476	1861.....	\$41,509,931	\$66,546,645	\$90,582,417
1792.....	8,680,060	6,079,532	77,227,924	1862.....	11,937,456	474,761,819	524,177,955
1793.....	4,493,313	4,493,313	80,352,634	1863.....	112,697,291	714,740,795	1,119,778,681
1794.....	5,632,923	6,990,339	78,427,404	1864.....	264,636,771	865,322,642	1,815,830,814
1795.....	6,431,965	7,530,809	80,747,587	1865.....	323,744,605	1,297,565,224	2,677,923,012
1796.....	6,174,534	5,723,986	83,762,172	1866.....	588,082,620	620,809,417	2,755,763,929
1797.....	8,377,530	6,135,634	82,064,479	1867.....	490,684,010	377,340,285	2,660,198,223
1798.....	7,900,496	7,676,504	79,223,529	1868.....	405,638,063	2,583,446,456	2,583,446,456
1799.....	7,546,813	9,668,455	78,403,669	1869.....	370,943,747	322,865,278	2,545,110,590
1800.....	10,848,749	10,786,076	82,976,294	1870.....	411,255,477	809,653,561	2,436,453,269
1801.....	12,995,381	9,394,582	83,038,050	1871.....	383,323,945	292,177,188	2,322,052,141
1802.....	14,995,794	7,862,118	80,712,632	1872.....	374,106,868	277,517,963	2,209,990,838
1803.....	11,064,098	7,851,653	77,054,686	1873.....	333,738,205	290,345,245	2,151,210,345
1804.....	11,826,307	8,719,442	86,427,120	1874.....	304,978,756	302,633,873	2,159,332,730
1805.....	13,560,693	10,506,234	82,312,150	1875.....	283,000,051	274,623,393	2,166,276,649
1806.....	15,559,931	9,803,617	75,723,270	1876.....	284,095,865	265,101,085	2,130,845,778
1807.....	16,398,019	8,354,151	69,213,398	1877.....	281,406,419	241,334,475	2,107,759,903
1808.....	17,060,662	9,932,492	65,196,317	1878.....	257,763,379	286,964,327	2,159,418,315
1809.....	7,773,473	10,280,748	57,023,192	1879.....	273,827,185	266,947,384	2,298,912,643
1810.....	9,384,215	8,156,510	53,173,217	1880.....	333,526,611	267,142,953	2,090,903,872
1811.....	14,423,529	8,053,337	48,005,537	1881.....	360,732,293	260,712,833	2,019,285,728
1812.....	9,801,133	20,280,771	45,209,737	1882.....	403,525,250	267,981,440	1,856,915,644
1813.....	14,340,410	31,681,852	55,962,937	1883.....	396,257,582	295,408,138	1,721,958,913
1814.....	11,181,625	34,720,926	81,487,846	1884.....	348,519,870	244,126,244	1,625,307,444
1815.....	15,739,024	32,708,129	99,533,680	1885.....	323,690,706	260,226,935	1,578,551,169
1816.....	47,677,671	30,586,691	127,334,933	1886.....	366,439,723	242,483,139	1,555,659,550
1817.....	33,099,050	21,843,820	123,491,956	1887.....	371,403,277	267,932,171	1,456,485,294
1818.....	21,565,171	19,825,121	103,406,633	1888.....	379,266,075	267,924,801	1,384,631,656
1819.....	24,603,375	21,463,510	96,529,568	1889.....	337,060,059	299,288,978	1,249,470,511
1820.....	17,850,670	18,660,627	91,015,566	1890.....	403,080,984	318,040,711	1,122,396,584
1821.....	14,573,380	15,810,763	93,987,427	1891.....	392,612,447	365,773,904	1,005,806,561
1822.....	20,232,423	15,000,220	93,546,676	1892.....	354,937,784	345,023,331	903,218,841

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1822	20,540,666	14,706,840	90,375,877	1898	335,819,629	333,477,953	961,431,766
1824	19,381,213	20,326,708	90,269,777	1894	308,355,316	367,525,281	1,016,897,817
1826	21,840,858	15,867,229	83,788,432	1896	324,729,419	356,196,298	1,096,918,120
1828	25,260,434	17,035,797	81,054,069	1898	338,142,447	352,179,446	1,222,729,350
1827	22,966,364	16,139,168	73,877,357	1897	347,721,705	365,774,159	1,226,793,718
1828	24,763,630	16,394,843	78,075,043	1898	341,421,335	443,368,583	1,232,743,063
1829	24,827,627	15,203,338	58,421,413	1899	515,960,621	605,072,179	1,436,700,704
1830	24,844,116	15,143,066	48,565,406	1900	567,240,852	520,860,847	1,263,416,913
1831	26,526,821	16,247,651	39,123,191	1901	587,685,838	524,616,925	1,291,572,245
1832	31,866,561	24,322,235	45,232,428	1902	562,478,233	485,234,549	1,178,031,357
1833	33,948,427	23,017,552	7,001,698	1903	561,380,722	517,006,127	1,159,406,913
1834	21,791,936	18,627,569	4,760,082	1904	541,087,085	583,659,900	1,136,259,016
1835	35,430,087	17,572,813	37,733	1905	544,274,685	567,278,914	1,132,357,095
1836	50,826,796	30,868,164	37,513	1906	594,984,446	570,202,278	1,142,522,970
1837	24,954,153	37,243,496	336,657	1907	665,360,886	579,128,842	1,147,178,193
1838	25,302,562	33,865,059	3,308,124	1908	601,861,907	669,196,820	1,177,690,403
1839	31,432,749	26,899,128	10,434,221	1909	604,320,498	693,743,885	1,148,315,372
1840	19,430,115	24,317,579	8,573,343	1910	676,511,715	698,617,065	1,146,939,969
1841	15,860,160	26,565,373	5,250,875	1911	701,832,911	691,201,512	1,153,984,937
1842	19,976,198	25,205,761	13,594,480	1912	692,609,204	689,381,334	1,103,838,505
1843	8,302,702	11,858,075	32,742,922	1913	724,111,230	724,511,963	1,193,047,745
1844	29,321,374	22,337,571	23,461,652	1914	734,673,167	735,081,431	1,188,235,400
1845	29,970,106	22,937,408	15,925,303	1915	697,910,827	760,586,802	1,191,264,068
1846	29,699,967	27,766,925	15,550,202	1916	789,534,548	741,996,727	1,225,145,568
1847	26,495,769	57,281,412	38,326,534	1917	1,124,324,795	2,086,042,104	2,975,618,585
1848	35,735,779	45,377,226	47,044,862	1918	4,180,425,156	13,791,907,395	12,243,623,719
1849	31,208,143	45,051,657	63,061,858	1919	4,654,380,999	18,952,141,180	25,432,034,419
1850	43,603,439	39,543,492	63,452,773	1920	6,704,414,437	6,141,745,240	24,297,918,412
1851	52,559,804	47,709,017	68,304,796	1921	5,584,517,045	4,463,713,469	23,976,255,608
1852	49,846,816	44,194,919	66,199,341	1922	4,103,696,531	3,195,684,847	22,964,079,190
1853	61,587,054	43,184,111	59,304,661	1923	3,847,045,683	3,244,717,092	22,349,687,758
1854	73,300,341	53,044,862	42,243,765	1924	3,834,041,142	2,946,401,027	21,251,120,427
1855	65,350,575	59,742,668	35,558,499	1925	3,607,644,164	2,464,169,062	20,516,272,174
1856	74,056,699	69,571,026	31,974,081	1926	3,908,457,575	3,030,387,162	19,643,183,079
1857	65,965,313	67,796,708	23,701,375	1927	4,123,422,888	3,001,836,635	18,510,174,266
1858	46,655,366	74,185,270	44,913,424	1928	4,038,236,512	3,071,408,892	17,604,290,563
1859	53,486,465	69,070,377	58,499,381	1929	4,036,218,918	3,322,619,279	16,931,197,748
1860	56,064,608	63,130,598	64,343,831	1930	4,174,051,546	3,392,077,386	16,185,306,299

¹ Total Gross Debt as of January 1 instead of June 30 is given for the years 1791-1842, inclusive.

APPENDIX II

MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT

The statement has frequently been made, especially by foreigners, that the United States not only profited enormously by the World War, but to a considerable extent, profited at the expense of other countries. In support of this statement are pointed out such facts as the great development in the foreign trade of the United States that has taken place since the outbreak of the war, the passing over of the United States from a debtor country to a creditor country with vast foreign investments, and the evidence of prosperity during the post-war period furnished by the widespread ownership of automobiles, radio equipment, and the like and the increase that has taken place in the wage rates of labor. An attempt to determine the validity of this statement by the balancing of losses against gains and the extent to which gains can be attributed to the war would furnish the subject for an exceedingly interesting study.

In such a study, one of the important elements would be the cost of the war effort of the United States to its government. The attempt to state this cost has been repeatedly made by the Secretary of the Treasury in his annual financial reports. The latest estimate is that contained in the annual report for 1930, which is reproduced on page 221.

In commenting upon a somewhat similar statement given in his annual report for 1927, the Secretary of the Treasury writes:

The last official statement of the money cost of the World War to the United States Government was contained in the Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1920. After deducting the amount of loans to foreign governments, the net cost to that date was estimated at slightly over \$24,000,000,000. Since that statement was prepared additional expenditures have been made on account of the war, which, together with certain necessary adjustments, have materially increased the amount as estimated up to 1920.

COST OF WORLD WAR

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MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT
TO JUNE 30, 1930[Net expenditures of the United States Government after deducting the
estimated value of certain assets acquired]

	Fiscal years 1917 to 1921			
	Expenditures	Receipts	Assets June 30, 1921 (partly estimated)	Net war cost
EXECUTIVE				
Relief, protection, and transportation of American citizens in Europe.....	\$743,776.21	\$58,694.40	\$20,000.00	\$665,081.81
National security and defense, executive, various commissions..	15,031,044.90	.....	.....	15,031,044.90
Expenses, trading with the enemy act.....	359,998.53	29.90	.....	359,968.63
INDEPENDENT OFFICES				
Alien Property Custodian Committee on Public In- formation.....	2,662,729.41	2,688.22	1,363.17	2,658,678.02
War Trade Board.....	2,452,152.39	26,001.21	2,653.65	2,423,497.53
War Industries Board...	5,675,384.09	124,902.35	7,606.74	5,542,875.00
European Food Relief...	1,957,774.78	154,010.17	3,638.42	1,800,126.19
Council of National De- fense.....	94,942,644.91	.....	.....	94,942,644.91
National Advisory Com- mittee for Aeronautics	1,924,316.43	257,243.90	23,775.79	1,633,296.74
Vocational Rehabililita- tion, including national security and defense.....	739,037.08	.....	58.60	738,978.48
Federal control of trans- portation systems (re- vised to June 30, 1930)	135,745,808.09	4,604.59	2,000.00	135,739,203.50
Federal control of tele- graph and telephone systems.....	2,276,872,649.03	1,585,831,026.35	2 61,572,087.88	1,629,469,534.80
Food and Fuel Adminis- trations.....	13,214,266.47	107,563.44	.....	13,106,703.03
Capital Issues Commit- tee.....	21,092,024.77	7,572,642.85	.....	13,519,381.92
Exports Administrative Board.....	147,966.09	5,346.49	.....	142,619.60
Federal Reserve Board: Expenses, trading with the enemy act...	250,000.00	.....	.....	250,000.00
State, War, and Navy Department build- ings: National secur- ity and defense.....	12,495.38	.....	12,495.38	.....
Federal Trade Commis- sion: National secur- ity and defense and trading with the en- emy act.....	36,907.23	.....	19,604.00	17,303.23
Interdepartmental So- cial Hygiene Board: Protection of military and naval forces and national security and defense.....	759,436.13	2,195.96	245.16	757,045.01
United States Employ- ees' Compensation Commission: Expenses in France and national security and defense...	1,028,573.84	308.87	1,845.59	1,026,419.38
Railroad Labor Board...	80,691.57	45.62	.....	80,645.95
	430,597.84	.....	.....	430,597.84

¹ Receipts to June 30, 1930, after deducting expenditures since 1921.² Assets of June 30, 1930.

MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT TO JUNE 30, 1930—Continued

[Net expenditures of the United States Government after deducting the estimated value of certain assets acquired]

	Fiscal years 1917 to 1921			
	Expenditures	Receipts	Assets June 30, 1921 (partly estimated)	Net war cost
WAR EMERGENCY CORPORATIONS				
United States Sugar Equalization Board (Inc.).....	\$5,000,000.00	\$30,000,000.00	^a \$11,370,621.39	^a \$36,370,621.39
United States Housing Corporation.....	66,500,000.00	7,659,294.11	^a 30,145,523.40	28,695,182.49
United States Shipping Board Emergency Fleet Corporation (includes United States Shipping Board).....	3,316,100,269.06	69,212.27	^a 243,504,524.98	3,072,526,531.81
War Finance Corporation (revised to June 30, 1929).....	500,000,000.00	.....	^b 564,577,716.68	^a 64,577,716.68
United States Grain Corporation.....	500,000,000.00	450,000,000.00	^a 25,000,000.00	25,000,000.00
INTERIOR DEPARTMENT				
National security and defense, war materials investigations, etc., adjustment and payment of mineral claims.....	4,316,697.94	220,652.23	.....	4,096,045.71
POST OFFICE DEPARTMENT				
National security and defense, espionage, and trading with the enemy acts.....	245,266.89	.....	.....	245,266.89
STATE DEPARTMENT				
National security and defense and other war appropriations.....	17,063,675.94	24,638.42	70,000.00	18,969,037.52
DEPARTMENT OF AGRICULTURE				
National security and defense, procuring nitrate of soda, stimulating agriculture, etc.....	17,378,838.42	1,014,346.71	949,500.00	15,414,991.71
DEPARTMENT OF COMMERCE				
National security and defense, military research, etc.....	7,093,653.50	369,127.20	1,071,500.00	5,653,031.30

^a Covered into Treasury on July 15, 1926.

^b Credit, deduct.

^c Of this sum \$22,438,834.31 was covered into the Treasury during the fiscal years 1922-1926.

^d Assets of June 30, 1930 (less continuing costs 1921-1930).

^e Of this sum \$499,000,000 was covered into the Treasury during the fiscal year 1925, and \$990,000 during the fiscal year 1929, as a repayment of capital stock. In addition thereto \$64,352,768.79 was covered into the Treasury during the fiscal year as miscellaneous receipts "Earnings of War Finance Corporation." If the Treasury made an interest charge against the corporation on net payments (advances) from the Treasury the reported profit of \$64,577,716.68 would be practically wiped out.

^f The sum of \$25,000,000 was covered into the Treasury during the fiscal year 1922; on account of the remaining \$25,000,000 of its capital stock the Grain Corporation turned over to the Treasury certain foreign obligations received by it.

COST OF WORLD WAR

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MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT
TO JUNE 30, 1930—Continued[Net expenditures of the United States Government after deducting the
estimated value of certain assets acquired]

	Fiscal years 1917 to 1921			
	Expenditures	Receipts	Assets June 30, 1921 (partly estimated)	Net war cost
DEPARTMENT OF LABOR				
National security and defense, expenses in- terned aliens, war em- ployment service, etc.	\$12,118,716.67	\$104,359.27	\$51,000.00	\$11,963,357.40
DEPARTMENT OF JUSTICE				
National security and defense, expenses of aliens, etc.	2,941,688.84	58,137.20	96,800.00	2,788,751.64
TREASURY DEPARTMENT				
Bureau of War Risk In- surance	504,773,249.00			504,773,249.00
Expenses of loans	74,769,610.47			74,769,610.47
Auditing accounts abroad	1,084,546.99			1,084,546.99
Expenses trading with the enemy act	5,019.10			5,019.10
National security and defense	4,320,638.55			* 4,320,638.55
Collecting war revenue, tax on estates, muni- tions, excess-profits tax, etc.	69,617,965.39			69,617,965.39
Hospital facilities, serv- ice, etc. (Public Health Service)	73,109,956.85			73,109,956.85
Hospital construction (Supervising Archi- tect)	110,000.00			110,000.00
Coast Guard (see Doc. No. 397, 65th Corp. 3d sess.)	8,256,181.00			8,256,181.00
Other activities under Treasury Department	4,028,493.23			4,028,493.23
Sale of property, office material, etc. (all de- partments)		1,838,826.68	3,758,000.00	5,596,826.68
WAR DEPARTMENT				
Quartermaster Corps:				
Pay of the Army	2,819,195,163.64			2,819,195,163.64
General appropria- tion (supplies, services, and transportation; barracks and quarters; con- struction and re- pair of hospitals; horses for Cav- alry, Artillery, and Engineers; inland and port storage and ship- ping facilities)	6,873,420,115.48			6,873,420,115.48
All other	88,737,158.99			88,737,158.99
Medical Department	316,653,619.96			316,653,619.96
Signal service:				
Increase for aviation	519,099,186.83			519,099,186.83
All other	445,909,364.65			445,909,364.65

* This includes \$4,465,301.58, representing cost of site and building now occupied by the Veterans' Bureau,
less certain credits.

MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT
TO JUNE 30, 1930—*Continued*

[Net expenditures of the United States Government after deducting the estimated value of certain assets acquired]

	Fiscal years 1917 to 1921			
	Expenditures	Receipts	Assets June 30, 1921 (partly estimated)	Net war cost
WAR DEPARTMENT— <i>continued</i>				
Ordnance Department:				
Ordnance stores, supplies, ammunition, equipment, etc.....	\$575,321,328.31			\$575,321,328.31
Armament of fortifications.....	3,203,479,956.17			3,203,479,956.17
Manufacture of arms, automatic rifles, armored motor cars.....	469,919,699.99			469,919,699.99
All other.....	189,377,285.21			189,377,285.21
Engineer Department:				
Bridges, depots, electrical installations, operations, fire control	633,271,951.84			633,271,951.84
National Guard (Military)	33,822,344.47			33,822,344.47
War miscellaneous (military).....	115,362,044.92			115,362,044.92
Sale of surplus war supplies and surplus property.....		536,571,711.38	294,401,819.54	* 830,073,530.92
Due from German Government account of army of occupation (June 30, 1927).....		61,313,643.18	158,000,000.00	* 219,313,643.18
Transfer of supplies, materials, and equipment to other departments without cost.....		383,688,380.35		* 383,688,380.35
Total War Department.....	16,283,569,220.46	981,573,734.91	452,401,819.54	14,849,593,666.01
NAVY DEPARTMENT				
Office of the Secretary:				
Pay, miscellaneous.....	29,624,157.85			29,624,157.85
Aviation, Navy....	185,301,332.24			185,301,332.24
All other.....	2,447,962.19			2,447,962.19
Bureau of Navigation:				
Training stations, outfits, recruiting, transportation, etc.....	95,514,379.65			95,514,379.65
Bureau of Ordnance:				
Ammunition, armament, batteries, stores, torpedoes, etc.....	502,692,026.19			502,692,026.19
Bureau of Yards and Docks.....	212,751,627.78			212,751,627.78
Bureau of Medicine and Surgery.....	37,604,883.16			37,604,883.16
Bureau of Supplies and Accounts:				
Freight.....	44,346,599.91			44,346,599.91
Fuel and transportation.....	133,872,964.01			133,872,964.01
Maintenance.....	54,100,822.67			54,100,822.67
Pay of the Navy....	613,134,005.34			613,134,005.34
Provisions.....	205,314,070.11			205,314,070.11
Naval supply account fund.....	143,276,476.56			143,276,476.56
Reserve material....	2,007,016.51			2,007,016.51

* Credit, deduct.

**MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT
TO JUNE 30, 1930—Continued**

[Net expenditures of the United States Government after deducting the estimated value of certain assets acquired]

	Fiscal years 1917 to 1921			
	Expenditures	Receipts	Assets June 30, 1921 (partly estimated)	Net war cost
NAVY DEPARTMENT—<i>continued</i>				
Bureau of Construction and Repair.....	\$144,014,058.27			\$144,014,058.27
Bureau of Steam Engineering.....	134,095,303.94			134,095,303.94
Naval Academy.....	9,263,459.90			9,263,459.90
Marine Corps.....	165,049,397.04			165,049,397.04
Increase of the Navy:				
Construction, machinery, armor and armament, torpedo boats, destroyers, etc.....	¹⁰ 731,900,271.35			¹⁰ 731,900,271.35
Increase of compensation, Naval Establishment.....	27,205,433.20			27,205,433.20
Temporary concrete office buildings, Navy and War Departments	7,175,489.45			7,175,489.45
Sale of war supplies and surplus property.....		24,438,785.70	55,000,000.00	⁴ 79,438,785.70
Total Navy Department.....	3,480,781,737.32	24,438,785.70	55,000,000.00	3,401,342,051.62
MISCELLANEOUS				
Increase of compensation civilian employees	147,416,619.18			147,416,619.18
Interest on war debt (1918-1921).....	2,746,640,992.03			2,746,640,992.03
Foreign obligations (June 30, 1930).....	¹¹ 9,610,403,575.45	2,391,518,141.97	¹² 7,740,000,000.00	⁴ 521,114,566.52
Total.....	40,033,806,942.45	4,483,046,560.99	9,180,664,380.37	26,361,096,001.09
Fiscal years 1922 to 1930				
CONTINUING COSTS				
Veterans' Bureau:				
Salaries and expenses.....	334,928,425.98			334,928,425.98
Hospital facilities and services.....	44,116,846.91			44,116,846.91
Medical and hospital services.....	291,600,273.29			291,600,273.29
Military and naval compensation.....	1,395,388,899.89			1,395,388,899.89
Military and naval family allowance.....	943,289.64			943,289.64
Vocational rehabilitation.....	494,223,604.76			494,223,604.76
Military and naval insurance.....	782,899,426.11			782,899,426.11

¹⁰ Exclusive of approximately \$400,000,000 expended under the act of Aug. 29, 1916, which provided for a 3-year building program.

⁴ Credit, deduct.

¹¹ Represents obligations acquired for cash advances under Liberty bond acts.

¹² Payments to be received under the various funding agreements have been discounted so as to show their present value on a basis of 4 per cent per annum. Obligations acquired in connection with the sale on credit of surplus war material and relief supplies are included.

**MONEY COST OF THE WORLD WAR TO THE UNITED STATES GOVERNMENT
TO JUNE 30, 1930—Continued**

[Net expenditures of the United States Government after deducting the estimated value of certain assets acquired]

	Fiscal years 1922 to 1930			
	Expenditures	Receipts	Assets June 30, 1921 (partly estimated)	Net war cost
CONTINUING COST				
Veterans' Bureau:—				
<i>continued</i>				
Adjusted service, certificate fund...	\$672,000,000.00			\$672,000,000.00
Adjusted service, dependent pay...	¹³ 39,100,695.77			39,100,695.77
Total Veterans' Bureau	¹⁴ 4,055,201,462.34			4,055,201,462.34
Interest on war debt....	7,390,357,640.57			7,390,357,640.57
Hospital construction (Supervising Architect).....	¹⁵ 17,001,442.13			17,001,442.13
Settlement of war claims, act of 1928....	¹⁶ 50,251,953.23			50,251,953.23
Total money cost of the World War to the United States to June 30, 1930	\$51,546,619,440.72	\$4,483,046,569.99	\$9,189,064,380.37	\$37,873,908,499.36

¹³ Fiscal year 1922, \$339,497,266.18; 1923, \$363,494,439.33; 1924, \$397,948,626.55; 1925, \$484,300,245.96; 1926, \$485,282,668.44; 1927, \$498,176,009.40; 1928, \$469,523,180.99; 1929, \$406,432,727.91; 1930, \$520,546,297.58.

¹⁴ Fiscal year 1922, \$968,620,027.01; 1923, \$1,034,178,428.77; 1924, \$917,533,165.09; 1925, \$862,158,336.50; 1926, \$815,307,516.30; 1927, \$771,604,629.45; 1928, \$715,657,257.91; 1929, \$662,729,418.32; 1930, \$642,268,861.13.

¹⁵ Fiscal year 1922, \$8,204,064.40; 1923, \$6,441,975.67; 1924, \$1,976,148.77; 1925, \$317,438.89; 1926, \$50,333.29; 1927, \$22,731.94; 1928, \$11,250.92 (deduct).

¹⁶ Fiscal year 1928, \$50,000,424.16; 1929, \$139,869; 1930, \$111,600.07.

NOTE.—The President, under proclamation dated Nov. 14, 1921, declared the end of the war with Germany to be July 2, 1921, the date on which the joint resolution of Congress terminating the state of war was approved. The figures contained herein are on the basis of warrants issued. They make allowance for estimated normal expenditures under the War and Navy Departments on a peace time basis, receipts on account of the sale of war supplies and surplus Government property, and assets held on June 30, 1921, a large part of which has subsequently been converted into cash and covered into the Treasury, the remainder being estimated. Necessarily some of the figures represent approximations, since no cost records relating to the war were maintained.

For the purpose of a new estimate of the cost of the war, the "war period" has been taken as extending from April 6, 1917, to June 30, 1921. This is based on a proclamation of the President dated November 14, 1921, declaring that the state of war between Germany and the United States officially ended July 2, 1921. It is not possible to ascertain accurately the exact cost of the war on account of the fact that it is necessary to deduct from the total expenditures the estimated normal expenditures of the Government for the war period, and in some instances it is necessary to estimate the value of the assets on hand. During the past year the Treasury has, however, made a detailed analysis of the total expenditures of the Government for the war period, as well as of the continuing costs thereafter up to June 30, 1927. As a result of this analysis it is believed that a conservative estimate of the net cost of the war to the United States to that date has been ascertained.

This estimate makes allowances for the estimated normal expenditures under the War and Navy Departments on a peace-time basis, receipts on account of the sale of war supplies and surplus government property, etc., and assets held on June 30, 1921, except the foreign obligations and the amount due from Germany on account of reimbursement of the costs of the American Army of Occupation which are taken as of June 30, 1927. Some of the assets shown as held on June 30, 1921, have, subsequent to that date, been converted into cash and covered into the Treasury. The receipts and assets are credited against the total war expenditures.

It is not believed that the assets representing obligations of foreign governments and claims against Germany for Army costs should be listed at their face value, but should be stated at their present value based upon the average rate of interest the United States is paying on its public debt. This average rate was on June 30, 1927, slightly under 4 per cent per annum. The payments, therefore, to be received under the various funding agreements have been discounted so as to show their present value on a basis of 4 per cent per annum, payable semiannually. This amounts to approximately \$7,440,000,000, or about 60 per cent of the value of these foreign debts based on the terms of the original obligations. Assuming that Austria and Greece will settle their debts on the same average basis, 60 per cent thereof or \$30,000,000 should be added to the above. On account of the present conditions in Armenia and Russia the indebtedness of these governments has been eliminated

from the assets. The total assets representing foreign obligations are, therefore, \$7,470,000,000.

The amount due from Germany on account of reimbursement of the costs of the American Army of Occupation was on June 30, 1927, approximately \$225,000,000. The United States is to receive annually out of the Dawes annuities the sum of 55,000,000 gold marks until this claim is satisfied. Assuming, therefore, that the United States will receive on this account the sum of \$13,000,000 per annum for 17 years, the present value of this asset, discounted on the same basis as the foreign obligations, amounts to approximately \$158,000,000.

The continuing costs of the war are the expenses of the Veterans' Bureau, interest on that part of the public debt of the United States created as a result of the war, and construction of hospitals for the care of veterans of the war.

It will be noted that the Secretary of the Treasury's statement seeks to set forth merely the cost of the war to the government to date. There are certain items of cost, the most important of which are the interest on the public debt and the payment of pensions and other aid to veterans of the war, that will continue to run for an indefinite period. It will not be until the last dollar of war debt has been liquidated and the last payment to or on behalf of war veterans has been made that the final cost can be determined. It is for this reason that each succeeding statement presented by the Secretary of the Treasury in his annual reports has shown an increase over the preceding statement.

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